

STARC OF LOUISIANA, INC.

**Financial Statements as of June 30, 2013 and 2012
and for the Years Then Ended
and Independent Auditor's Report**

STARC OF LOUISIANA, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS AS OF JUNE 30, 2013 AND 2012 AND FOR THE YEARS THEN ENDED:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8
OTHER INDEPENDENT AUDITOR'S REPORT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21



Brent A. Silva, CPA
A Professional Accounting
Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
STARC of Louisiana, Inc.
Slidell, Louisiana

I have audited the accompanying financial statements of STARC of Louisiana, Inc. (a Louisiana not-for-profit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the fiscal year 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

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. Those standards require that I plan and perform the audit 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, I express no such opinion.



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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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

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

Report on Summarized Comparative Information

The June 30, 2012 financial statements of STARC of Louisiana, Inc. were audited by other auditors, and their report dated November 29, 2012, expressed an unmodified opinion on those audited financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 20, 2013 on my consideration of STARC of Louisiana, Inc.'s internal control over financial reporting and on my 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 my 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 STARC of Louisiana, Inc.'s internal control over financial reporting and compliance.

Brent A. Silva, CPA, APAC

Mandeville, Louisiana
December 20, 2013

STARC OF LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,824,304	\$ 3,521,156
Accounts receivable, net	580,989	733,001
Unconditional promises to give, net	330,812	-
Linen inventory	12,941	36,613
Prepaid expenses	<u>39,739</u>	<u>26,258</u>
	4,788,785	4,317,028
PROPERTY AND EQUIPMENT		
Buildings	3,973,063	3,915,070
Furniture and equipment	601,791	566,009
Vehicles	<u>1,031,898</u>	<u>1,042,959</u>
	5,606,752	5,524,038
Less accumulated depreciation	<u>(2,537,500)</u>	<u>(2,330,324)</u>
	3,069,252	3,193,714
Land	<u>486,877</u>	<u>486,877</u>
Total property and equipment, net	3,556,129	3,680,591
OTHER ASSETS		
Deposits	500	500
Other	<u>60,600</u>	<u>-</u>
Total other assets	<u>61,100</u>	<u>500</u>
TOTAL ASSETS	<u>\$ 8,406,014</u>	<u>\$ 7,998,119</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 83,237	\$ 86,338
Accrued salaries, wages and taxes	451,547	259,855
Accumulated paid leave	157,483	172,043
Deferred revenue	1,535,575	1,713,469
Current maturities of long-term debt	<u>74,155</u>	<u>73,476</u>
Total current liabilities	2,301,997	2,305,181
LONG-TERM LIABILITIES		
Long-term deferred compensation	16,943	19,686
Long-term debt, net of current maturities	<u>1,214,136</u>	<u>1,393,995</u>
Total long-term liabilities	<u>1,231,079</u>	<u>1,413,681</u>
TOTAL LIABILITIES	3,533,076	3,718,862
NET ASSETS		
Unrestricted		
Undesignated	4,287,234	3,639,028
Board designated	88,073	205,808
Temporarily restricted	<u>497,631</u>	<u>434,421</u>
Total net assets	<u>4,872,938</u>	<u>4,279,257</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,406,014</u>	<u>\$ 7,998,119</u>

See accompanying independent auditor's report and notes to financial statements.

STARC OF LOUISIANA, INC.
STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	2013		2012		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT					
Government grants and contracts	\$ 4,614,447	\$ -	\$ 4,614,447	\$ -	\$ 4,835,513
Ad valorem taxes	1,545,195	-	1,545,195	-	1,383,215
Private providers	861,201	-	861,201	-	804,082
Program services	290,365	-	290,365	-	278,682
Sale of services	1,003,567	-	1,003,567	-	973,561
Donations and private grants	438,529	11,409	449,938	14,805	177,886
United Way allocation	-	80,067	80,067	96,924	96,924
United Way designations	27,717	-	27,717	-	46,769
Fundraising	95,590	-	95,590	-	146,907
Gain/(loss) on disposition of property	10,999	-	10,999	-	(43,668)
Other	18,547	-	18,547	-	15,438
Net assets released from restrictions					
Restrictions satisfied by payments	28,266	(28,266)	-	(24,237)	-
Total revenues and other support	8,934,423	63,210	8,997,633	87,492	8,715,309
EXPENSES					
Program services	6,603,220	-	6,603,220	-	6,845,772
Supporting services	1,800,732	-	1,800,732	-	1,659,621
Total expenses	8,403,952	-	8,403,952	-	8,505,393
	\$ 530,471	\$ 63,210	\$ 593,681	\$ 87,492	\$ 209,916

See accompanying independent auditor's report and notes to financial statements.

**STARCO OF LOUISIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services						Supporting Services	Total
	Adult Habilitation	Infant Habilitation	Residential	Waivered and Elderly Services	Commercial Business Services	Program Services		
Salaries and benefits	\$ 916,891	\$ 260,296	\$ 612,621	\$ 1,931,191	\$ 482,795	\$ 4,203,794	\$ 1,320,613	\$ 5,524,407
Payroll taxes	69,868	19,082	47,616	150,355	38,220	325,141	94,484	419,625
Professional services	5,034	9,262	18,188	6,779	13,181	52,444	32,032	84,476
Day service charges - internal	-	-	190,153	-	-	190,153	-	190,153
State bed fees	-	-	114,829	-	-	114,829	-	114,829
Supplies	26,311	23,036	75,906	9,187	65,088	199,528	20,656	220,184
Interest	32,403	17,809	21,857	-	6,602	78,671	3,285	81,956
Telephone	17,297	5,134	12,926	12,595	10,456	58,408	42,151	100,559
Postage	623	91	350	1,792	742	3,598	7,829	11,427
Occupancy	74,394	23,236	79,025	33,272	111,018	320,945	106,011	426,956
Insurance	79,360	16,582	59,035	70,842	92,187	318,006	49,264	367,270
Depreciation and amortization	83,298	22,594	56,179	5,741	142,759	310,571	29,818	340,389
Travel	133,252	142	35,588	24,031	78,348	271,361	32,458	303,819
Conferences and training	5,730	2,489	5,678	20,550	1,715	36,162	2,192	38,354
Donations	-	-	-	-	-	-	-	-
Fundraising	3,106	205	-	-	-	3,311	27,775	31,086
Miscellaneous	11,982	15,370	22,334	19,966	46,646	116,298	32,164	148,462
	<u>\$ 1,459,549</u>	<u>\$ 415,328</u>	<u>\$ 1,352,285</u>	<u>\$ 2,286,301</u>	<u>\$ 1,089,757</u>	<u>\$ 6,603,220</u>	<u>\$ 1,800,732</u>	<u>\$ 8,403,952</u>

See accompanying independent auditor's report and notes to financial statements.

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

	Program Services					Total	Supporting Services		Total
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services		Program Services	General and Administrative	
Salaries and benefits	\$ 940,347	\$ 277,208	\$ 617,142	\$ 2,016,779	\$ 550,125	\$ 4,401,601	\$ 1,122,442	\$ 5,524,043	
Payroll taxes	73,482	19,124	48,939	161,854	44,901	348,300	77,106	425,406	
Professional services	4,418	6,566	18,287	5,291	14,964	49,526	26,410	75,936	
Day service charges - internal	-	-	195,360	-	-	195,360	-	195,360	
State bed fees	-	-	115,143	-	-	115,143	-	115,143	
Supplies	25,591	22,827	74,354	7,873	63,125	193,770	17,398	211,168	
Interest	33,616	19,718	7,679	-	10,041	71,054	4,884	75,938	
Telephone	15,438	4,399	10,416	11,052	10,426	51,731	28,472	80,203	
Postage	711	110	296	2,308	439	3,864	2,472	6,336	
Occupancy	81,100	23,999	86,504	66,511	89,250	347,364	123,870	471,234	
Insurance	77,247	14,735	54,139	62,046	88,967	297,134	42,710	339,844	
Depreciation and amortization	91,332	19,890	43,910	3,800	167,341	326,273	37,300	363,573	
Travel	118,000	222	39,574	19,373	70,695	247,864	38,365	286,229	
Conferences and training	7,814	2,946	4,954	20,645	1,462	37,821	5,949	43,770	
Donations	15,650	75	1,132	150	283	17,290	46,323	63,613	
Fundraising	1,375	88	40	-	-	1,503	58,562	60,065	
Miscellaneous	18,332	19,870	37,087	18,472	46,413	140,174	27,358	167,532	
	<u>\$ 1,504,453</u>	<u>\$ 431,777</u>	<u>\$ 1,354,956</u>	<u>\$ 2,396,154</u>	<u>\$ 1,158,432</u>	<u>\$ 6,845,772</u>	<u>\$ 1,659,621</u>	<u>\$ 8,505,393</u>	

See accompanying independent auditor's report and notes to financial statements.

STARC OF LOUISIANA, INC.
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Unrestricted		Temporarily Restricted	Total
	Undesignated	Board Designated		
NET ASSETS, July 1, 2011	\$ 3,567,896	\$ 154,516	\$ 346,929	\$ 4,069,341
CHANGES IN NET ASSETS	<u>71,132</u>	<u>51,292</u>	<u>87,492</u>	<u>209,916</u>
NET ASSETS, June 30, 2012	3,639,028	205,808	434,421	4,279,257
CHANGES IN NET ASSETS	<u>648,206</u>	<u>(117,735)</u>	<u>63,210</u>	<u>593,681</u>
NET ASSETS, June 30, 2013	<u>\$ 4,287,234</u>	<u>\$ 88,073</u>	<u>\$ 497,631</u>	<u>\$ 4,872,938</u>

See accompanying independent auditor's report and notes to financial statements.

STARC OF LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 593,681	\$ 209,916
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	340,389	363,573
Gain/(loss) on dispositions of property and equipment	(10,999)	43,668
Changes in operating assets and liabilities:		
Certificate of deposit	-	100,190
Accounts receivable, net	152,012	(68,415)
Pledges receivable, net	(330,812)	-
Linen inventory	23,672	(671)
Prepaid expenses	(13,481)	(10,619)
Deposits	-	1,000
Accounts payable	(3,101)	(38,581)
Accrued salaries, wages and taxes	191,692	32,151
Accumulated paid leave	(17,303)	7,716
Accrued interest	-	-
Deferred revenue	(177,894)	(43,139)
	<u>747,856</u>	<u>596,789</u>
Net cash provided by/(used in) operating activities		
	747,856	596,789
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of day bed allocation	(60,000)	-
Purchases of property and equipment	(205,530)	(697,988)
	<u>(265,530)</u>	<u>(697,988)</u>
Net cash provided by/(used in) investing activities		
	(265,530)	(697,988)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	481,998
Proceeds from line of credit	-	450,500
Principal payments on long-term debt	(179,178)	(120,311)
Principal payments on line of credit	-	(450,500)
	<u>(179,178)</u>	<u>361,687</u>
Net cash provided by/(used in) financing activities		
	(179,178)	361,687
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	303,148	260,488
CASH AND CASH EQUIVALENTS - Beginning of year	<u>3,521,156</u>	<u>3,260,668</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 3,824,304</u>	<u>\$ 3,521,156</u>

See accompanying independent auditor's report and notes to financial statements.

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – STARC of Louisiana, Inc. (previously named St. Tammany Association for Retarded Citizens, Inc.)(STARC) was incorporated on June 20, 1968. On January 30, 2013, STARC filed to change its legal name to STARC of Louisiana, Inc. STARC provides day care services, work training services, respite and personal care services, and residential housing for citizens of St. Tammany Parish with mental retardation and/or developmental disabilities.

Basis of Presentation – STARC 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 depending on the existence and/or nature of any donor restrictions.

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

Unrestricted undesignated net assets – Assets that are not restricted by donors or for which there are no restrictions.

Unrestricted Board designated net assets – Assets that have been designated by the Board of Directors for a specific use or purpose.

Temporarily restricted net assets – The portion of net assets that arise from contributions that are Restricted by donors for specific purposes or time periods.

Permanently restricted net assets – A donation, grant or contract that a portion is restricted by the donor or by law to be maintained by STARC in perpetuity. There were no permanently restricted net assets as of June 30, 2013 and 2012.

Cash and Cash Equivalents – For purposes of the statements of cash flows, STARC considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements.

Accounts Receivable – Accounts receivable for linen services are stated at unpaid balances, less an allowance for doubtful accounts. STARC provides for losses on linen services accounts receivable using the allowance method. The allowance is based on experience, third-party contract and other circumstances. For all other receivables, it is STARC's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management believes use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Promises to Give – Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2013, unconditional promises to give shown on the statements of financial position consisted of \$250,000, net of allowance of \$15,735, due from donors of STARC for Life Campaign and \$80,812 due from United Way. There were no promises to give at June 30, 2012.

Linen Inventory – Linen inventory is stated at the lower of cost or market. Inventory is adjusted monthly by amortization of the costs based on number linen turns.

Property and Equipment – Property and equipment are recorded at cost. Acquisitions of property and equipment are made with unrestricted assets. Depreciation is provided over the estimated useful lives of the respective asset, approximately five to thirty years, on a straight-line basis. Expenses for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Major renewals, improvements and property costs over \$5,000 are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period. Depreciation expense for the years ended June 30, 2013 and 2012 is \$340,389 and \$363,573, respectively.

Restricted and Unrestricted Revenues and Other Support – Contributions received 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 restrictions expire 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 statements of activities as net assets released from restrictions.

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Assets and Services – STARC recorded noncash donations as contributions at its estimated fair market value at the date of donation. STARC had no noncash donations for the years ended June 30, 2013 and 2012.

Various functions of STARC are conducted by unpaid officers, board members, and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. STARC recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Expense Allocation – Functional expenses are allocated among the various programs services and general and administrative categories based on actual use or management's best estimate.

Income Taxes – STARC is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Use of Estimates – The preparation of STARC's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE B – CONCENTRATIONS OF CREDIT RISK

STARC has concentrated its credit risk by maintaining deposits in banks located within the same geographic region that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. STARC’s cash deposit balances were not in excess of the FDIC insurance at June 30, 2013 and 2012. As of June 30, 2013 and 2012, STARC had \$3,027,261 and \$2,736,258, respectively, in bank repurchase agreements that subject to credit risk. These are not insured by the Federal Deposit Insurance Corporation and are not guaranteed in any way by the United States Government or any agency thereof. STARC has not experienced any losses in such accounts and agreements and believes it is not exposed to any significant credit risk to cash.

Financial instruments that potentially subject STARC to concentrations of credit risk consist principally of accounts receivable. As of June 30, 2013 and 2012, the Medicaid waiver program represents 48% and 46% of receivables and contracted services represent 19% and 18% of receivables, respectively.

NOTE C – ACCUMULATED PAID LEAVE

All full-time regular status employees who do not carry the Direct Support Professional title are eligible for paid leave. At the beginning of each fiscal year, STARC deposits into each employee’s annual leave account a lump sum amount of leave hours for use of time off during that fiscal year. The amount of leave each receives is based on the employee’s job classification and years of eligible service. At the end of each fiscal year, all unused annual leave hours are automatically transferred to the employee’s accumulated leave account. Annual leave hours not used are not payable to employees upon resignation, retirement, termination or death, while accumulated leave hours will be paid out upon resignation, retirement, termination or death at the employee’s current hourly rate.

	2013	2012
Beginning balance	\$172,043	\$164,327
Additions	189,587	168,783
Reductions	<u>(187,202)</u>	<u>(161,067)</u>
Ending balance	<u>\$174,428</u>	<u>\$172,043</u>

NOTE D – BOARD DESIGNATIONS

It is the policy of the Board of Directors of STARC to review its plans for future property improvements, acquisitions, and program services from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing. At June 30, 2013 and 2012, STARC’s Board had \$88,073 and \$205,808, respectively, in designated funds.

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE E – ADMINISTRATION AGREEMENT AND DEFERRED REVENUE

Effective February 18, 2009, the St. Tammany Parish Council (the Council) and STARC entered into an administration agreement for a period of ten years, whereby STARC would provide services relating to acquiring, constructing, improving, maintaining, and operating authorized activities, services, programs and/or facilities for individuals with mental retardation and/or developmental disabilities in St. Tammany Parish. The agreement requires the Council to compensate STARC a 1 mill tax annually (\$1,873,900 and \$1,765,677 for the fiscal years ended June 30, 2013 and 2012, respectively). STARC received \$1,370,988 and \$1,271,564 of which \$1,419,205 and \$1,592,286 was deferred for the fiscal years ended June 30, 2013 and 2012, respectively, to properly recognize revenue when it will be earned. STARC incurred expenditures relating to the services provided in the amount of \$1,545,195 and \$1,383,215 for the years ended June 30, 2013 and 2012, respectively. The ad valorem tax received from the Council and the expenditures incurred are included in the specific programs and supporting services of STARC.

NOTE F – UNITED WAY ALLOCATION/GRANTS

STARC participates in the United Way for the Greater New Orleans Area allocation and designation of funds process. To participate in the allocation and designation of funds, certain restrictions were placed on STARC's ability to conduct certain fundraising activities or otherwise solicit contributions. The United Way's allocation/designation to STARC for the years ended June 30, 2013 and 2012 was \$107,784 and \$135,160, respectively.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$497,631 and \$434,421 at June 30, 2013 and 2012, respectively, are donations from corporations, individuals, and pledges receivable from the United Way of Greater New Orleans to support adult services, Jacob's Ladder Adult Day Care, Noah's ARC Child Development Center, and Solid Rock Elderly Services. There was \$28,266 and \$24,237 of temporarily restricted net assets released from donor restrictions for general operations of STARC for the years ended June 30, 2013 and 2012, respectively.

NOTE H – DONATED FACILITIES

STARC occupies donated office space in Slidell. The total value of this donated space was recorded in the statements of activities in donations and private grants for \$32,100 and \$37,100 for the years ended June 30, 2013 and 2012, respectively. This amount includes donated rent at fair value of the property and donated utilities.

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE I – LINE OF CREDIT

STARC has a \$800,000 line of credit at June 30, 2013 and 2012, bearing interest at a variable interest rate, and is secured by a collateral real estate mortgage. There was no balance outstanding on the line of credit as of June 30, 2013 and 2012. On March 24, 2013, STARC renewed this line of credit for a two year term ending March 24, 2015.

NOTE J – LONG-TERM DEBT

STARC had the following notes payable as of June 30:

	2013	2012
Mortgage note totaling \$450,000 dated April 11, 2011, payable to a bank in 48 monthly installments beginning May 28, 2012 with monthly payments of \$7,850 to include principal and interest at a rate of 5.125% through April 2016. Collateralized by land and building.	\$ 394,035	\$ 442,650
Mortgage note dated March 24, 2011, payable to a bank on demand with monthly payments of \$2,433 to include principal and interest at a rate of 6.1% through March 24, 2021. Collateralized by land and building	270,030	302,273
Mortgage note dated March 24, 2011, payable to a bank in monthly installments of \$5,406, consisting of principal and interest accruing at a rate of 6.1% through March 24, 2021. Collateralized by land and building	599,696	672,408
Note payable totaling \$31,998 dated September 22, 2011, payable to a bank in 48 monthly installments of \$747 consisting of principal and interest accruing at a rate of 5.69% through October 22, 2015. Collateralized by a vehicle.	18,890	26,540
Note payable dated November 26, 2008, payable to a bank in 60 monthly installments of \$1,154 consisting of principal and interest accruing at a rate of 9.85% through November 26, 2013. Collateralized by a vehicle.	<u>5,642</u>	<u>18,248</u>
	<u>\$1,288,291</u>	<u>\$1,467,471</u>

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE J – LONG-TERM DEBT, continued

Maturities are as follows:

2014	\$ 74,155
2015	181,743
2016	486,332
2017	137,566
Thereafter	<u>408,495</u>
	\$ <u>1,288,291</u>

Interest expense on notes payable for the years ending June 30, 2013 and 2012 was \$79,219 and \$75,938, respectively.

NOTE K – OPERATING LEASES

STARC signed one year term leases commencing on September 1, 2008 for the rental of office space. The leases include two one-year options with three months prior notice. Monthly rental amounts are approximately \$2,534.

In addition, STARC signed a one year lease commencing on March 1, 2013 for rental of office space. The lease includes two one-year options with three months prior notice. Monthly rent amounts are \$625. Both office space rent agreements contain a donated portion of the lease which is detailed in Note H. Actual rental expense for the years ended June 30, 2013 and 2012 was \$37,908 and \$33,533, respectively, for both locations.

STARC signed a contract that has an indefinite life span for the use of a certain parcel of ground that is entirely enclosed by a fence that has been developed into a park-like area complete with a paved walking path, a bocce ball court and benches throughout. STARC desires to use the property for recreational purposes for a fee of \$500 per month. The contract states that STARC agrees to make payments by the 15th of each month with the following condition to occur: STARC must receive a \$700 donation from the Knights of Columbus Council prior to the 15th of the month. If, in any given month, the \$700 donation has not been received, the fee for that particular month shall be waived.

STARC has multiple operating leases for office equipment at various locations. Lease expense for the years ended June 30, 2013 and 2012 was \$31,376 and \$28,288, respectively,

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE K – OPERATING LEASES, continued

Future minimum lease payments are as follows:

2014	\$ 6,742
2015	5,675
2016	5,578
2017	465
Thereafter	<u>-</u>
	<u>\$ 18,460</u>

NOTE L – ACCOUNTS RECEIVABLE

As of June 30, accounts receivable were comprised of:

	2013	2012
Waiver services	\$ 315,938	\$ 334,663
Contracted services	121,894	130,036
Title XIX	98,029	100,581
Early intervention services	-	906
Supported services	12,126	13,492
Council on Aging	22,488	26,898
CDGB Contributions	9,297	6,985
Other	<u>1,217</u>	<u>119,440</u>
	<u>\$ 580,989</u>	<u>\$ 733,001</u>

NOTE M – RELATED PARTIES

During the years ended June 30, 2013 and 2012, STARC paid \$104,470 and \$90,244, respectively, for various building renovations and improvements to a local construction contracting company which employs a board member. Payments for miscellaneous building repairs and maintenance of \$867 and \$3,268 were paid to an employee's spouse for the years ended June 30, 2013 and 2012, respectively.

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE N – RETIREMENT PLAN

STARC established a 401(k) Thrift Plan (the Plan) effective November 1, 2000. Employees of STARC may participate in the Plan, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have completed the service requirements (equivalent to one year of service with 1,000 hours of service or more). STARC makes discretionary contributions to the Plan each year as a percentage of all participants' contributions.

On April 19, 2012, STARC established a 457(b) Top Hat Plan whereby the top members of STARC can contribute to a retirement plan and STARC still be in compliance with the requirements of the 401(k) plan. The highly compensated employees who participate in this plan do so with only their own deferrals. STARC makes discretionary contributions to the Plan each year as a percentage of all participants' contributions.

STARC's contribution for both plans for the years ended June 30, 2013 and 2012 was \$16,302 and \$10,054, respectively.

NOTE O – DEFERRED COMPENSATION

On March 16, 2005, the Board established a non-qualified deferred compensation plan for any retiring employee who has been employed by STARC for a minimum of 20 years and has maintained a satisfactory employment record. The compensation payments are not guaranteed and are paid only from Board-approved unrestricted funds that are available in the fiscal year in which a qualifying employee retires. Compensation payments are based on 50%, 75%, or 100% of the employee's annualized regular salary at retirement date, depending on years of service and may be paid in lump sum or under an installment plan not to exceed a 60 month period. Deferred compensation expense was \$148,228 and \$53,670 for the years ended June 30, 2013 and 2012, respectively, and is recorded in salary/benefits on the statements of functional expense.

Future minimum required payments are as follows:

2014	\$ 7,382
2015	7,382
2016	<u>4,922</u>
	<u>\$ 19,686</u>

STARC OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE P – SUBSEQUENT EVENTS

Management evaluated subsequent events through the date that the financial statements were available to be issued, December 20, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER INDEPENDENT AUDITORS' REPORT



Brent A. Silva, CPA
A Professional Accounting
Corporation

OTHER INDEPENDENT AUDITOR'S REPORT

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
STARC of Louisiana, Inc.
Slidell, Louisiana

I 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 STARC of Louisiana, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise STARC of Louisiana, Inc.'s basic financial statements, and have issued my report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered STARC of Louisiana, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of STARC of Louisiana, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of STARC of Louisiana, Inc.'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.



Brent A. Silva, CPA

A Professional Accounting
Corporation

My 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 my audit I did not identify any deficiencies in internal control that I 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 STARC of Louisiana, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of STARC of Louisiana, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering STARC of Louisiana, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the STARC of Louisiana, Inc.'s finance committee, management, the Department of Health and Human Services, the Department of Transportation, United Way, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. The restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board of Directors of STARC of Louisiana, Inc.

Brent A. Silva, CPA, APAC

December 20, 2013

**STARC OF LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Management Letter

Was a management letter issued?	_____ yes	_____ <u>X</u> no
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Section II - Financial Statement Findings

Current Year (June 30, 2013):

No findings material to the financial statements were noted during the audit

Prior Year (June 30, 2012):

No findings material to the financial statements were noted during the audit

Section III - Internal Control Findings

Current Year (June 30, 2013):

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

Prior Year (June 30, 2012):

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

See independent auditor's report.

[This form is an unaudited informational document prepared by management of the agency.]

LEGISLATIVE AUDITOR
BATON ROUGE LA 70804

DATA COLLECTION FORM

FOR REPORTING ON STATE AND LOCAL GOVERNMENT AND QUASI-PUBLIC AGENCIES

The federal data collection form may be used as a substitute for this form.

Date Submitted 12/20/2013

TOTAL ACTUAL COST OF ENGAGEMENT \$12,500

RETURN to: Legislative Auditor (ereports@lla.la.gov) or
Attn: Engagement Processing
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

1. Fiscal Year Ending Date For This Submission:
06/30/2013

3. Audit Period Covered

Annual

Other _____ to _____

2. Type of Report:

Single Audit GAO (Yellow Book) Audit

Compilation Review/Attestation

Program Audit Other

Total Revenues and other sources, all funds \$8,989,981

4. AUDITEE INFORMATION

Auditee Name

STARC of Louisiana, Inc.

Street Address (Number and Street)

1541 St. Ann Drive

Mailing Address (PO No.)

City

Slidell

State

Louisiana

Zip

70460

Auditee Contact

Name

Diane Baham

Title

Executive Director

Telephone

985-646-0219

Fax

985-641-8947

Email (Optional)

5. AUDITOR INFORMATION

Firm Name

Brent A. Silva, CPA, A Professional Accounting Corporation

Street Address (Number and Street)

1427 West Causeway Approach Suite B

Mailing Address (PO No.)

City

Mandeville

State

Louisiana

Zip

70471

Auditor Contact

Name

Brent A. Silva, CPA

Title

Managing Partner

Telephone

985-624-6788

Fax

985-624-6480

Email (Optional)

brent@bsilva-cpa.com

Component Units Included Within the Report and for Which No Separate Report Will Be Issued:
None

If there are no modifications to the auditor's financial opinion, no reported deficiencies in internal control, no reported instances of noncompliance, no management letter, and no prior year findings, check this box and do not complete the rest of the form.

6. FINANCIAL STATEMENTS

a. Type of auditor's opinion on financial statements. Not Applicable

Unmodified Opinion Qualified Opinion Adverse Opinion Disclaimer of Opinion

b. Is a 'going concern' explanatory paragraph included in the audit report? Yes No

c. Do any of the funds have deficit balances? Yes No

7. INTERNAL CONTROL

Do the comments on internal control include: material weaknesses significant deficiencies

8. COMPLIANCE

Do the comments on compliance include: criminal acts fraud and abuse not applicable

9. CURRENT YEAR MANAGEMENT LETTER (Finding Caption and No.)

Resolved Yes No No Longer Applicable

Resolved Yes No No Longer Applicable

Resolved Yes No No Longer Applicable

10. SCHEDULE OF CURRENT YEAR FINDINGS/QUESTIONED COSTS (Finding Caption and No.)

\$ _____ Resolved Yes No No Longer Applicable

\$ _____ Resolved Yes No No Longer Applicable

\$ _____ Resolved Yes No No Longer Applicable

\$ _____ Resolved Yes No No Longer Applicable

\$ _____ Resolved Yes No No Longer Applicable

\$ _____ Resolved Yes No No Longer Applicable

Do any findings address nepotism, ethics violations or related party transactions? Yes No

Do any findings address violation of bond indenture covenants? Yes No

11. SCHEDULE OF PRIOR YEAR FINDINGS/QUESTIONED COSTS/MANAGEMENT LETTER COMMENTS

(Finding/Comment Caption and No.)

Resolved Yes No No Longer Applicable

Resolved Yes No No Longer Applicable

Resolved Yes No No Longer Applicable

Resolved Yes No No Longer Applicable

Resolved Yes No No Longer Applicable

CPA SIGNATURE

Brent A. Silva, CPA

Date 12/20/2013

AUDITEE SIGNATURE

Diane Baham

Date 12/20/2013