

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2022

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS



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December 19, 2022

The Board of Directors
The Arc Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Arc Caddo-Bossier (a not-for-profit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc Caddo-Bossier as of June 30, 2022, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arc Caddo-Bossier and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc Caddo-Bossier's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arc Caddo-Bossier's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc Caddo-Bossier's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 21-23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited The Arc Caddo-Bossier's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of The Arc Caddo-Bossier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of 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 The Arc Caddo-Bossier's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

<u>A S S E T S</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash and cash equivalents	4,602,678	3,653,458
Investments-Notes 4 and 13	4,239,106	4,930,572
Accounts receivable-Note 5	1,598,589	1,996,186
Prepaid expenses and other assets	250,965	215,665
Land, building, and equipment, net-Note 6	2,076,755	2,291,871
Beneficial interest in foundation-Note 7	6,888,542	8,158,891
Total assets	<u>19,656,635</u>	<u>21,246,643</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	116,222	118,695
Accrued payroll and related liabilities	371,206	698,359
Accrued expenses	102,507	93,822
Total liabilities	589,935	910,876
Net assets:		
Without donor restriction:-Note 10		
Undesignated	9,497,779	9,358,704
Designated by the Board	2,649,443	2,710,003
	12,147,222	12,068,707
With donor restrictions-Note 10	6,919,478	8,267,060
Total net assets	19,066,700	20,335,767
Total liabilities and net assets	<u>19,656,635</u>	<u>21,246,643</u>

The accompanying notes are an integral part of the consolidated financial statements.

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>Public support and revenue:</u>				
<u>Public support:</u>				
State of Louisiana	281,503	-	281,503	257,847
United Way	504	-	504	1,015
Contributions	1,310,073	2,767	1,312,840	844,918
Other public support	<u>47,867</u>	<u>-</u>	<u>47,867</u>	<u>34,666</u>
Total public support	1,639,947	2,767	1,642,714	1,138,446
 <u>Revenue:</u>				
Sales revenue	3,438,410	-	3,438,410	3,545,820
Membership dues	4,800	-	4,800	6,365
Title XIX	10,688,784	-	10,688,784	10,565,364
Service fees	607,079	-	607,079	518,757
Net investment (loss) income-Note 4	(685,786)	-	(685,786)	1,149,165
Change in interest in Foundation	-	(1,270,349)	(1,270,349)	1,650,839
Other income	<u>176,480</u>	<u>-</u>	<u>176,480</u>	<u>447,337</u>
Total revenue	<u>14,229,767</u>	<u>(1,270,349)</u>	<u>12,959,418</u>	<u>17,883,647</u>
 Total public support and revenue	 15,869,714	 (1,267,582)	 14,602,132	 19,022,093
 Net assets released from restrictions	 80,000	 (80,000)	 -	 -
 <u>Expenses:</u>				
Adult services	4,337,862	-	4,337,862	4,327,163
Children services	1,056,780	-	1,056,780	949,486
Residential services	8,585,285	-	8,585,285	8,286,904
Leisure services	341,444	-	341,444	285,990
Management and general	<u>1,549,828</u>	<u>-</u>	<u>1,549,828</u>	<u>1,497,597</u>
Total expenses	<u>15,871,199</u>	<u>-</u>	<u>15,871,199</u>	<u>15,347,140</u>
 <u>Change in net assets</u>	 78,515	 (1,347,582)	 (1,269,067)	 3,674,953
 <u>Net assets-beginning of year</u>	 <u>12,068,707</u>	 <u>8,267,060</u>	 <u>20,335,767</u>	 <u>16,660,814</u>
 <u>Net assets-end of year</u>	 <u><u>12,147,222</u></u>	 <u><u>6,919,478</u></u>	 <u><u>19,066,700</u></u>	 <u><u>20,335,767</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services		
	Adult Services	Children Services	Residential Services
Salaries	2,683,134	702,209	6,060,782
Payroll taxes	204,895	52,807	462,106
Other employee expenses	466,149	58,883	697,660
Total salaries and payroll related expenses	3,354,178	813,899	7,220,548
Professional	6,204	-	18,626
Insurance	104,520	2,893	74,191
Licenses	750	-	307,010
Office expense	10,396	3,314	19,583
Postage and publication	588	1,336	2,134
Dues and subscriptions	1,468	780	990
Telephone	18,916	2,031	17,669
Repairs and maintenance	111,914	13,025	137,945
Building services	2,879	25,334	36,172
Training	1,310	1,326	32,653
Travel and conventions	4,818	356	25,779
Operating supplies	337,279	57,801	9,769
Utilities	153,208	15,812	119,877
Vehicle and equipment lease	27,693	2,665	18,200
Food	3,415	75,994	169,258
Household supplies	331	5,927	34,030
Clothing	-	-	7,174
Personal necessities	-	-	16,285
Medical and therapy	-	104	36,374
Transportation and outing	-	-	345
Consultant fees	-	240	117,509
Interest	-	-	-
Other	80,544	926	65,405
Total other expenses before depreciation	866,233	209,864	1,266,978
Total expenses before depreciation	4,220,411	1,023,763	8,487,526
<u>Depreciation expense</u>	117,451	33,017	97,759
<u>Total expenses</u>	4,337,862	1,056,780	8,585,285

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

Program Services	Supporting Services		
Leisure Services	Management and General	June 30, 2022	June 30, 2021
136,971	752,931	10,336,027	10,217,023
10,650	55,574	786,032	788,097
13,644	120,327	1,356,663	1,288,027
<u>161,265</u>	<u>928,832</u>	<u>12,478,722</u>	<u>12,293,147</u>
1,000	206,253	232,083	168,005
9,500	120,654	311,758	297,573
-	79	307,839	312,992
4,156	35,037	72,486	62,399
35	1,351	5,444	7,283
-	41,475	44,713	26,336
4,367	5,379	48,362	43,775
5,302	27,266	295,452	188,026
4,311	35,378	104,074	75,019
711	7,990	43,990	35,577
2,606	23,171	56,730	51,367
67,264	8,403	480,516	375,801
6,675	14,770	310,342	255,483
-	18,448	67,006	86,902
1,616	2,481	252,764	223,418
-	1,247	41,535	36,094
-	-	7,174	9,531
-	-	16,285	11,045
10,286	660	47,424	62,026
-	-	345	49
3,855	-	121,604	198,815
-	-	-	312
5,235	44,328	196,438	177,208
<u>126,919</u>	<u>594,370</u>	<u>3,064,364</u>	<u>2,705,036</u>
288,184	1,523,202	15,543,086	14,998,183
<u>53,260</u>	<u>26,626</u>	<u>328,113</u>	<u>348,957</u>
<u><u>341,444</u></u>	<u><u>1,549,828</u></u>	<u><u>15,871,199</u></u>	<u><u>15,347,140</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(1,269,067)	3,674,953
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	328,113	348,957
(Gain) loss on disposal of fixed assets	1,947	(36,514)
Net realized and unrealized (gains) losses on investments	900,936	(1,065,445)
Change in interest in Foundation	1,032,287	(1,846,743)
(Increase) decrease in accounts receivable	397,597	(543,686)
(Increase) decrease in prepaid expenses and other assets	(35,300)	44,216
(Decrease) in accounts payable	(2,473)	(32,483)
(Decrease) in payroll liabilities	(327,153)	(40,518)
Increase in accrued expenses	8,685	8,948
Total adjustments	<u>2,304,639</u>	<u>(3,163,268)</u>
Net cash provided by operating activities	1,035,572	511,685
<u>Cash flows from investing activities:</u>		
Sales of investments	503,280	701,392
Purchase of investments	(712,751)	(786,263)
Distributions from Foundation	238,062	195,904
Purchase of fixed assets	(114,943)	(110,183)
Proceeds from sale of fixed assets	-	38,270
Net cash provided (used) by investing activities	<u>(86,352)</u>	<u>39,120</u>
<u>Net increase in cash and cash equivalents</u>	949,220	550,805
<u>Cash and cash equivalents at beginning of year</u>	<u>3,653,458</u>	<u>3,102,653</u>
<u>Cash and cash equivalents at end of year</u>	<u>4,602,678</u>	<u>3,653,458</u>
<u>Supplemental disclosures:</u>		
Cash paid for interest	<u>-</u>	<u>312</u>

The accompanying notes are an integral part of the consolidated financial statements.

THE ARC CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

1. Nature of Business

The Arc Caddo-Bossier (The Arc) is a not-for-profit public service association. Revenues are derived primarily from the following:

- a) State of Louisiana, generally under third-party reimbursement plans
- b) Title XIX, under third-party reimbursement plans
- c) Service fees
- d) Contributions from the general public
- e) Contract work by the handicapped clients for various types of companies
- f) Investment income

The Arc provides services to the intellectually disabled of all ages in northwest Louisiana, generally in the following functional areas:

- a) Adult Services – provides day habilitation and employment for full and part-time adult workers with disabilities, generally in custodial, linen, filter, and lawn services, and through sheltered employment and employment-related training.
- b) Children Services – provides childcare and developmentally appropriate educational experiences to enrolled children aged six weeks to five years of age, both with and without disabilities.
- c) Residential Services – provides an array of community living services for children and adults with disabilities and their families, including supported independent living, long-term personal care, personal care attendant, respite care, and elderly disabled adult waiver.
- d) Leisure Services – provides therapeutic services to adults and children with disabilities through horseback riding.

2. Summary of Significant Accounting Policies

a) Consolidated Financial Statement Presentation:

The Arc is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of The Arc and changes therein may be classified and reported as follows:

2. Summary of Significant Accounting Policies (Continued)

Without donor restrictions-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 10.

With donor restrictions-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc, the passage of time, or that they be maintained permanently. Donor restricted net assets are detailed in Note 10.

b) Consolidation:

The financial statements include the accounts of The Arc and Great Results Equine Assisted Therapies (GREAT), a not-for-profit corporation that uses horseback riding as a therapeutic aid to handicap individuals. GREAT merged with The Arc in 2001, with approximate net assets of \$25,000. All significant intercompany transactions have been eliminated in the consolidated financial statements.

c) Comparative Financial Statements:

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with The Arc's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

d) Estimates:

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

e) Cash Equivalents:

For purposes of the statement of cash flows, The Arc considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

f) Investments:

Investments are accounted for at fair value. Realized gains and losses on the sale of securities are determined using the specific identification method. Net investment return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses. Investment income is reported net of external investment expenses.

g) Trade Receivables:

Trade receivables from contract work, service fees, and other third-party reimbursement plans that management has the intent and ability to hold to maturity are accounted for at the

2. Summary of Significant Accounting Policies (Continued)

outstanding principal amount, less any related allowance for doubtful receivables. Management periodically reviews its outstanding receivables for collectability. Past due status of receivables is based on their contractual terms.

h) Land, Building, and Equipment:

Land, building, and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of \$5,000 are capitalized.

i) Property and Equipment:

Acquisitions of property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Currently, there are no donor or legal restrictions on the proceeds from the disposition of donated property. Improvements and replacements of buildings and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of operations. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

j) Compensated Absences:

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
Less than three months	None
From four months to one year	Eleven days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

k) Contributions:

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

2. Summary of Significant Accounting Policies (Continued)

l) Promises to Give:

Contributions are recognized when the donor makes a promise to give to The Arc that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Arc uses the allowance method to determine uncollectible unconditional promises receivable when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

m) Revenue and Revenue Recognition:

Revenues from program fees, which include residential support for individuals, children's services, and day support services derive from the provision of specific services that customarily include community and group home living and daily activity support under state-sponsored programs for individuals with intellectual and developmental disabilities in Northwest Louisiana. Transaction price is based on standard rates authorized by applicable governing authority billed out according to specific units of service provided. Program fees are billed out at the end of the month with a payment term of 30 days. Performance obligations under these arrangements, which consist of a series of distinct promises that generally have the same pattern of transfer on a monthly basis, are satisfied over time as the services are provided. Amounts received under third-party reimbursement plans are subject to adjustment by the payer, and also may be subject to subsequent audit. Management believes the possibility of adjustments of material amount is remote.

Sales revenues from contract services, which include both federal and state-sourced contracts, derive from the provision of specific services that customarily include janitorial, groundskeeping, and laundry in Northwest Louisiana. The contracts generally are for one year, with automatic renewals that allow termination notice by either party without penalty. Negotiated contract prices are based generally on a fixed amount for a standard period of a day, week, or month for a specific set of services to be performed. Contract services are billed out immediately following performance due upon receipt. Performance obligations under these contracts, which consist of a series of distinct promises that generally have the same pattern of transfer on a monthly basis, are satisfied over time as the service is provided.

2. Summary of Significant Accounting Policies (Continued)

The following table disaggregates The Arc's revenue subject to the provisions of FASB ASC 606, Revenue From Contracts with Customers, based on clients serviced and services provided.

	FYE 2022	FYE 2021
Title XIX		
Waiver Support Day Hab	971,188	732,503
Waiver Support Community Living and Support Services	5,605,285	5,652,635
Waiver Support Community Homes	4,112,311	4,180,226
	10,688,784	10,565,364
Service Fees		
Day Hab Service Fees	-	81,695
Childrens Services Tuition and Fees		
Typical Children Service Fees (private pay)	387,688	282,322
Special Needs Service Fees (subsidized)	163,990	118,112
Leisure Services Instructional Fees	55,401	36,628
	607,079	518,757
Sales Revenue		
Federal Contracts	2,466,189	2,209,585
Other Adult Service Contracts	972,221	1,336,235
	3,438,410	3,545,820
Membership Dues	4,800	6,365

n) Retroactive Adjustments and Settlements:

Revenue for services rendered to Medicaid program beneficiaries is based on prospectively determined daily rates established by the State of Louisiana Department of Health and Hospitals.

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge The Arc's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon The Arc.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and The Arc's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations.

2. Summary of Significant Accounting Policies (Continued)

o) Contributed Services:

Many individuals volunteer their time and perform a variety of tasks that assist The Arc. The volunteer hours have not been recorded in the statement of activities.

p) Functional Expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fund-raising expenses are not significant.

q) Advertising Costs:

When significant, costs of advertising are expensed as incurred. Advertising expense for years ending June 30, 2022 and 2021 was not material.

r) Income Taxes:

As nonprofit, privately supported organizations, both The Arc and GREAT are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but each must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Arc and GREAT are required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they continue to qualify as tax-exempt entities. They also must consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax-exempt entities, they must assess whether they have any tax positions associated with unrelated business income subject to income tax. Neither entity expects these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

The Arc and GREAT are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2019 and beyond remain subject to examination by the Internal Revenue Service.

3. Liquidity and Availability

The Arc manages its financial assets available to meet general operating expenditures with the guiding principle of operating within a prudent range of financial soundness and stability. At June 30, 2022 and 2021, financial assets (net of applicable donor restrictions) consisting of cash, cash equivalents, and accounts receivable that are available for general operating expenditure within one year of the balance sheet date amounted to \$6,143,769 and \$5,541,475. Although not routinely accessed for general operations, the portfolio of marketable securities of \$4,239,106 and \$4,930,572 as of June 30, 2022 and 2021 also is available for operating purposes. In addition, a credit facility of \$100,000 is in place for borrowing needs.

4. Investments

Investments are summarized as follows:

	June 30, 2022		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	1,034,290	918,631	(115,659)
Equity funds	2,695,539	3,256,183	560,644
Money market funds	64,292	64,292	-
Totals	<u>3,794,121</u>	<u>4,239,106</u>	<u>444,985</u>

	June 30, 2021		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	943,554	954,812	11,258
Equity funds	2,655,731	3,921,884	1,266,153
Money market funds	53,876	53,876	-
Totals	<u>3,653,161</u>	<u>4,930,572</u>	<u>1,277,411</u>

Net investment income (loss) consists of the following:

	June 30, 2022	June 30, 2021
Interest and dividends	232,207	104,751
Net realized gains (losses)	(68,510)	114,868
Net unrealized gains (losses)	(832,426)	950,577
Investment management fees	(17,057)	(21,031)
	<u>(685,786)</u>	<u>1,149,165</u>

5. Accounts Receivable

Accounts receivable due The Arc at year end are as follows:

	June 30, 2022	June 30, 2021
Contract work	666,829	814,709
State of Louisiana	14,332	33,061
Title XIX	760,651	1,085,204
Other	156,777	63,212
Total	<u>1,598,589</u>	<u>1,996,186</u>

5. Accounts Receivable (Continued)

Receivables from contract work arise from credit granted to various businesses located in the Shreveport area. Receivables from the State of Louisiana and Title XIX arise from funds due The Arc under various grants and third-party payee arrangements, and which are unpaid as of the end of the fiscal year. Title XIX receivables are presented net of an allowance for estimated denied claims of \$32,937 and \$159,413 for the years ended June 30, 2022 and 2021, respectively. There are no significant contract assets or liabilities related to The Arc's revenue recognized in accordance with the provisions of FASB ASC 606.

6. Land, Building, and Equipment

Land, building, and equipment is composed of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Buildings	3,447,221	3,440,354
Improvements	2,257,350	2,217,916
Equipment	3,311,364	3,263,699
Vehicles	<u>601,114</u>	<u>601,114</u>
Total depreciable assets	9,617,049	9,523,083
Accumulated depreciation	<u>(7,983,113)</u>	<u>(7,668,778)</u>
Book value of depreciable assets	1,633,936	1,854,305
Land	437,566	437,566
Construction in progress	<u>5,253</u>	<u>-</u>
Book value of fixed assets	<u><u>2,076,755</u></u>	<u><u>2,291,871</u></u>

7. Beneficial Interest in Foundation

Beneficial interest represents The Arc's share of net assets available to The Arc from The Arc Foundation (The Foundation), which was created in 1997 to promote and support the purposes of The Arc. Originally organized such that its membership consisted of the board members of The Arc, The Foundation was part of the consolidated financial statements of The Arc. Effective at the beginning of fiscal year 2013, The Foundation's membership was changed to consist only of members of its own board, no more than forty-nine percent of whom may be members of the board of The Arc. As a result, The Arc no longer includes The Foundation in consolidation, but records its share of The Foundation's net assets because it is a financially interrelated organization.

Funds belonging to The Foundation are not automatically available to The Arc but must be requested for specific purposes through a formal process that The Foundation controls. This process involves a review of amounts available for annual distribution and formal approval of funding requests by The Foundation's board. The Foundation transferred \$238,062 and \$195,904 to The Arc or its related entity, Louisiana Disabled Persons Housing Corporation, during the years ended June 30, 2022 and 2021. These amounts are included in the Change in Interest in Foundation on the Statement of Activities.

8. Line of Credit and Borrowings

The Arc has a line of credit with a local bank, renewed in February 2022, with a maximum borrowing limit of \$100,000. The credit line is secured by an investment brokerage account having an estimated market value of \$4,239,106 at June 30, 2022. Interest is variable, based on 2.65% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2022 and 2021.

9. Conditional Promises

Conditional promises consist of the unfunded portions of approved grants, either currently in effect or approved for commencement after June 30, 2022. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately \$376,000 and \$396,000, respectively, at June 30, 2022 and 2021.

10. Net Assets

Net assets consist of the following:

	June 30, 2022	June 30, 2021
Net assets without donor restrictions:		
Undesignated:		
Without Board designations	7,421,024	7,066,833
Invested in property and equipment, net of related debt	<u>2,076,755</u>	<u>2,291,871</u>
Total undesignated	9,497,779	9,358,704
Designated by the Board:		
For adult services	59,735	50,379
For worker's compensation claims	<u>2,589,708</u>	<u>2,659,624</u>
Total designated	<u>2,649,443</u>	<u>2,710,003</u>
Total without donor restrictions	12,147,222	12,068,707
Net assets with donor restrictions:		
For purposes to be determined by The Arc Caddo-Bossier Foundation	6,838,542	8,108,891
For purposes of child services education	30,936	108,169
Restricted in perpetuity through The Arc Caddo-Bossier Foundation	<u>50,000</u>	<u>50,000</u>
Total with donor restrictions	<u>6,919,478</u>	<u>8,267,060</u>
Total net assets	<u>19,066,700</u>	<u>20,335,767</u>

11. Other Employee Expenses

The Arc participates in a profit-sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k)-funding feature was added to this plan in 1999, providing a 100% discretionary employer match for employee contributions up to 2% of employee salary. The Arc made no contributions to this plan for the years ending June 30, 2022 and 2021.

12. Related Party Transactions

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.b; The Arc controls and has a financial or economic interest in Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development. Summarized financial data for this entity follows:

Louisiana Disabled Persons Housing Corporation
Summarized Statements of Net Assets
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current assets	76,741	70,151
Fixed assets, net	<u>315,120</u>	<u>291,637</u>
Total assets	<u><u>391,861</u></u>	<u><u>361,788</u></u>
Current liabilities	94,963	77,456
Long-term debt, less current portion	<u>235,592</u>	<u>276,884</u>
Total liabilities	330,555	354,340
Net assets	<u>61,306</u>	<u>7,448</u>
Total liabilities and net assets	<u><u>391,861</u></u>	<u><u>361,788</u></u>

Summarized Statements of Activities
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Income	300,303	244,236
Expenses	<u>246,445</u>	<u>235,965</u>
Change in net assets	53,858	8,271
Net assets (deficit), beginning	<u>7,448</u>	<u>(823)</u>
Net assets, ending	<u><u>61,306</u></u>	<u><u>7,448</u></u>

12. Related Party Transactions (Continued)

Transactions between all entities related to The Arc are summarized below:

June 30, 2022			
The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>718,500</u>	<u>(32,666)</u>	<u>(639,767)</u>
June 30, 2021			
The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>651,870</u>	<u>(5,008)</u>	<u>(614,309)</u>

13. Fair Value Measurements

The following tables present The Arc's fair value hierarchy for assets measured at fair value on a recurring basis:

Assets at Fair Value as of June 30, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	64,292	-	-	64,292
Equity funds	3,256,183	-	-	3,256,183
Bond funds	918,631	-	-	918,631
Total	<u>4,239,106</u>	<u>-</u>	<u>-</u>	<u>4,239,106</u>

13. Fair Value Measurements (Continued)

	<i>Assets at Fair Value as of June 30, 2021</i>			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	53,876	-	-	53,876
Equity funds	3,921,884	-	-	3,921,884
Bond funds	954,812	-	-	954,812
Total	<u>4,930,572</u>	<u>-</u>	<u>-</u>	<u>4,930,572</u>

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1).

14. Commitments

The Arc leases many of its vehicles and equipment, generally over one- to five-year terms, under operating lease arrangements. Future minimum lease payments for the years ending June 30 are as follows:

2023	55,295
2024	29,204
2025	3,244
2026	-
2027	-
	<u>87,743</u>

15. Contingencies

Provider Relief Funds of approximately \$365,000 for 2021 from the U.S. Department of Health and Human Services in the form of grants are subject to special audit. Such audits could result in claims against The Arc for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. These amounts are included in Other income on the Statement of Activities.

16. Accounting Guidance/Principles Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, "Leases" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and

16. Accounting Guidance/Principles Not Yet Adopted (Continued)

- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity’s leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Arc currently is evaluating the potential impact of adopting this guidance on its financial statements.

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform” (Topic 848). This ASU provides temporary optional guidance intended to ease the burden of accounting for changes to certain contracts, hedging relationships and other transactions affected by reference rate reform. The ASU is effective December 31, 2022. The Arc does not expect this accounting standard to significantly affect its financial statements.

17. Subsequent Events

The Arc and GREAT are required to evaluate events or transactions that may occur after the statement of financial position date for potential recognition or disclosure in the consolidated financial statements. Each entity performed such an evaluation through December 19, 2022, the date which the consolidated financial statements were available to be issued and noted no such subsequent events.

SUPPLEMENTARY INFORMATION

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	54,561	180,759	46,183
United Way	-	504	-
Contributions	9,732	869,821	-
Other public support	-	47,201	-
Total public support	<u>64,293</u>	<u>1,098,285</u>	<u>46,183</u>
 <u>Revenue:</u>			
Sales revenue	3,438,410	-	-
Membership dues	-	-	-
Title XIX	971,188	-	9,717,596
Service fees	-	551,678	-
Net investment (loss)	-	-	-
Change in interest in Foundation	-	-	-
Other income	714	15,289	33,950
Total revenue	<u>4,410,312</u>	<u>566,967</u>	<u>9,751,546</u>
 Total public support and revenue	 4,474,605	 1,665,252	 9,797,729
 Total salaries and payroll related expenses	 3,354,178	 813,899	 7,220,548
 Total other expenses before depreciation	 <u>866,233</u>	 <u>209,864</u>	 <u>1,266,978</u>
 Total expenses before depreciation	 4,220,411	 1,023,763	 8,487,526
 Depreciation expense	 <u>117,451</u>	 <u>33,017</u>	 <u>97,759</u>
 Total expenses	 <u>4,337,862</u>	 <u>1,056,780</u>	 <u>8,585,285</u>
 Change in net assets	 <u><u>136,743</u></u>	 <u><u>608,472</u></u>	 <u><u>1,212,444</u></u>

<u>Leisure Services</u>	<u>Management and General</u>	<u>Total</u>
-	-	281,503
-	-	504
372,167	61,120	1,312,840
-	666	47,867
<u>372,167</u>	<u>61,786</u>	<u>1,642,714</u>
-	-	3,438,410
-	4,800	4,800
-	-	10,688,784
55,401	-	607,079
-	(685,786)	(685,786)
-	(1,270,348)	(1,270,348)
2,078	124,448	176,479
<u>57,479</u>	<u>(1,826,886)</u>	<u>12,959,418</u>
429,646	(1,765,100)	14,602,132
161,265	928,832	12,478,722
<u>126,919</u>	<u>594,370</u>	<u>3,064,364</u>
288,184	1,523,202	15,543,086
<u>53,260</u>	<u>26,626</u>	<u>328,113</u>
<u>341,444</u>	<u>1,549,828</u>	<u>15,871,199</u>
<u><u>88,202</u></u>	<u><u>(3,314,928)</u></u>	<u><u>(1,269,067)</u></u>

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-

ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Adult Services Per Books</u>	<u>Eliminations Increase (Decrease)</u>	<u>Adult Services Per Report</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	54,561	-	54,561
Contributions	9,732	-	9,732
Other Public Support	-	-	-
Total public support	<u>64,293</u>	<u>-</u>	<u>64,293</u>
<u>Revenue:</u>			
Sales revenue	3,438,410	-	3,438,410
Title XIX	971,188	-	971,188
Service Fees	320,863	(320,863)	-
Other income	714	-	714
Total revenue	<u>4,731,175</u>	<u>(320,863)</u>	<u>4,410,312</u>
Total public support and revenue	4,795,468	(320,863)	4,474,605
Total salaries and payroll related expenses	3,354,178	-	3,354,178
Total other expenses before depreciation	<u>866,233</u>	<u>-</u>	<u>866,233</u>
Total expenses before depreciation	4,220,411	-	4,220,411
Depreciation expense	<u>117,451</u>	<u>-</u>	<u>117,451</u>
Total expenses	<u>4,337,862</u>	<u>-</u>	<u>4,337,862</u>
Change in net assets	<u>457,606</u>	<u>(320,863)</u>	<u>136,743</u>

<u>Residential Services Per Books</u>	<u>Eliminations Increase (Decrease)</u>	<u>Residential Services Per Report</u>
46,183	-	46,183
-	-	-
-	-	-
<u>46,183</u>	<u>-</u>	<u>46,183</u>
-	-	-
9,717,596	-	9,717,596
-	-	-
<u>33,950</u>	<u>-</u>	<u>33,950</u>
<u>9,751,546</u>	<u>-</u>	<u>9,751,546</u>
9,797,729	-	9,797,729
7,220,548	-	7,220,548
<u>1,587,841</u>	<u>(320,863)</u>	<u>1,266,978</u>
8,808,389	(320,863)	8,487,526
<u>97,759</u>	<u>-</u>	<u>97,759</u>
<u>8,906,148</u>	<u>(320,863)</u>	<u>8,585,285</u>
<u><u>891,581</u></u>	<u><u>320,863</u></u>	<u><u>1,212,444</u></u>

THE ARC CADDO-BOSSIER

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED JUNE 30, 2022

Agency Head: Kristen Powers

Salary	102,392
Cell phone	1,750
Travel-Gasoline and related car expenses	721
Conference travel	3,187

OTHER REPORTS



REGIONS TOWER
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December 19, 2022

The Board of Directors
The Arc Caddo-Bossier
Shreveport, Louisiana

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated December 19, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc Caddo-Bossier's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc Caddo-Bossier's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Arc Caddo-Bossier's internal control over financial reporting.

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 consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc Caddo-Bossier's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

THE ARC CADDO-BOSSIER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Arc Caddo-Bossier.
2. No significant deficiencies and no material weaknesses relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of The Arc Caddo-Bossier were disclosed during the audit.
4. The Arc Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC CADDO-BOSSIER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

No matters were reported in the prior year.

THE ARC CADDO-BOSSIER
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

No findings.



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December 19, 2022

The Board of Directors
The Arc Caddo-Bossier
Shreveport, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Arc Caddo-Bossier's (The Arc) management is responsible for those C/C areas identified in the SAUPs. These SAUPs were applied only to those control and compliance areas that involved the use of public monies.

The Arc has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
The entity has written policies and procedures that adequately address most budget functions. However, the policies and procedures do not address the process for budget amendments.
Management's Response: Senior management will update its policies and procedures to address the appropriate process for amending the budget.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

The entity has written policies and procedures that adequately address the purchasing function.

- c) **Disbursements**, including processing, reviewing, and approving.

The entity has written policies and procedures that adequately address the disbursements function.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The entity has written policies and procedures that adequately address the receipts and collections function.

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

The entity has written policies and procedures that adequately address the payroll and personnel function.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The entity has written policies and procedures that adequately address some of the contracting function. However, policies and procedures do not address types of services requiring written contracts, legal review, and the monitoring process.

Management's Response: Senior management will update its policies and procedures to include defining the types of services requiring written contracts, necessary legal review, and monitoring requirements.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

The entity has written policies and procedures that adequately address most of the credit card function. However, they do not address how cards are to be controlled.

Management's Response: Management has drafted an update to its policies and procedures to address the control of credit cards, and expects to adopt it by the end of the year.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

This category is not applicable to the entity's public funds.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

This category is not applicable to the entity's public funds.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

This category is not applicable because the entity has no debt.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The entity has policies and procedures that address information technology disaster recovery/business continuity requirements, except for the use of antivirus software on all systems, and the timely application of all available system and software patches and updates.

Management's Response: Senior management will consult with its information technology manager to develop a policy update that addresses the use of antivirus software and the application of system and software patches or updates.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

This category is not applicable to the entity's public funds.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The entity's Board of Directors met at least quarterly, in accordance with its bylaws.

- b) For those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds¹ if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Exception: Three of the four meetings' minutes referred to budget-to-actual financial statement comparisons of its sole fund.

¹ R.S. 24:513 (A)(1)(b)(iv) defines public funds

Management's Response: Senior management will ensure that all board meetings include documentation of discussion of its actual and budget financial activity that includes public funds.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Not applicable to nonprofit entities.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

The entity has one physical office location where deposits of public funds are prepared and reconciled.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions noted.

- 6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

No exceptions noted.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Per listing provided by management, payments of public funds are processed through one location - the Main Office.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Job duties appear properly segregated.

- b) At least two employees are involved in processing and approving payments to vendors.

Job duties appear properly segregated.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Job duties appear properly segregated.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Job duties appear properly segregated or an acceptable fully compensating control is in place.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.]]

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained listing and related documentation of all active cards used for public funds from Management.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Monthly statements and related payments are reviewed and approved by an individual other than the card user.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions noted.

Travel and Travel-Related Expense Reimbursements (excluding card transactions) (This Category Not Applicable to Entity's Public Funds)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Not Applicable

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not Applicable

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Not Applicable

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not Applicable

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Not Applicable, as the contracts selected for testing were not subject Louisiana Public Bid Law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Not Applicable

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

Not Applicable

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained listing from Management and agreed selected employees' salaries and pay rates without exception.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

No exceptions noted.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Management's representation obtained covering these statements.

Ethics (This Category Not Applicable to Entity's Public Funds)

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
Not Applicable
 - b. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
Not Applicable

Debt Service (This Category Not Applicable to Entity's Public Funds)

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
Not Applicable
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).
Not Applicable

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
Not applicable – no misappropriations of public funds identified during the fiscal period.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.
Exception: Management has not posted the required notice on its premises or on its website.
- Management's Response: Management will ensure that the required notice is posted on premises.*

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a. Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- b. Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- c. Obtain a listing of the entity’s computers currently in use, and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

Sexual Harassment (This Category Not Applicable to Entity’s Public Funds)

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Not Applicable

27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

Not Applicable

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

- a. Number and percentage of public servants in the agency who have completed the training requirements;

Not Applicable

- b. Number of sexual harassment complaints received by the agency;
Not Applicable
- c. Number of complaints which resulted in a finding that sexual harassment occurred;
Not Applicable
- d. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
Not Applicable
- e. Amount of time it took to resolve each complaint.
Not Applicable

We were engaged by The Arc to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of The Arc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Heard, McElroy & Vestal, LLC