STARC OF LOUISIANA, INC.

Audits of Financial Statements

June 30, 2019 and 2018

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of STARC of Louisiana, Inc. (a Louisiana not-for-profit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STARC of Louisiana, Inc. (STARC) as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the financial statements, STARC adopted the Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Other Matters
Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statue (LRS) 24:513A, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019 on our consideration of STARC of Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 STARC's 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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
December 26, 2019

STARC OF LOUISIANA, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 4,435,102	$ 3,378,653
Accounts Receivable, Net	519,528	789,388
Note Receivable, Current	-	1,880
Unconditional Promises to Give, Net	46,935	74,401
Linen Inventory, Net	-	4,589
Prepaid Expenses	26,761	105,444
Total Current Assets	5,028,326	4,354,355
Property and Equipment		
Buildings and Improvements	5,600,763	5,855,146
Furniture and Equipment	63,722	482,705
Vehicles	969,092	857,673
	6,633,577	7,195,524
Less: Accumulated Depreciation	(2,439,522)	(3,177,395)
	4,194,055	4,018,129
Land	650,300	662,324
Construction in Progress	9,505	558,514
Total Property and Equipment, Net	4,853,860	5,238,967
Other Assets		
Deposits	-	500
Bed Licenses	365,833	403,535
Total Other Assets	365,833	404,035
Total Assets	$ 10,248,019	$ 9,997,357

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

STARC OF LOUISIANA, INC.
Statements of Financial Position (Continued)
June 30, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 154,654	$ 310,144
Accrued Salaries, Wages, and Taxes	418,581	471,869
Accumulated Paid Leave	174,903	175,667
Deferred Revenue	1,610,758	1,392,305
Current Maturities of Long-Term Debt	151,012	166,714
Total Current Liabilities	2,509,908	2,516,699
Other Liabilities		
Long-Term Debt, Net of Current Maturities	1,707,148	1,804,981
Total Other Liabilities	1,707,148	1,804,981
Total Liabilities	4,217,056	4,321,680
Net Assets		
Without Donor Restrictions		
Undesignated	5,456,247	4,993,710
Board Designated	104,671	211,922
With Donor Restrictions	470,045	470,045
Total Net Assets	6,030,963	5,675,677
Total Liabilities and Net Assets	$ 10,248,019	$ 9,997,357

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

STARC OF LOUISIANA, INC.
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Government Grants and Contracts	$ 4,609,002	$ -	$ 4,609,002	$ 4,056,313	$ -	$ 4,056,313
Ad Valorem Taxes	1,747,187	-	1,747,187	1,853,754	-	1,853,754
Private Providers	607,409	-	607,409	498,459	-	498,459
Program Services	273,702	-	273,702	246,536	-	246,536
Sale of Services	361,613	-	361,613	381,395	-	381,395
Donations and Private Grants	64,074	-	64,074	112,763	-	112,763
United Way Allocation	-	30,000	30,000	-	52,480	52,480
United Way Designations	18,232	-	18,232	17,036	-	17,036
Fundraising	135,661	-	135,661	114,318	-	114,318
Other	483,533	-	483,533	151,319	-	151,319
	8,300,413	30,000	8,330,413	7,431,893	52,480	7,484,373
Net Assets Released from Restrictions	30,000	(30,000)	-	52,480	(52,480)	-
Total Revenues, Gains, and Other Support	8,330,413	-	8,330,413	7,484,373	-	7,484,373
Expenses						
Program Services	6,298,232	-	6,298,232	5,613,364	-	5,613,364
Supporting Services	1,676,895	-	1,676,895	1,750,234	-	1,750,234
Total Expenses	7,975,127	-	7,975,127	7,363,598	-	7,363,598
Change in Net Assets	355,286	-	355,286	120,775	-	120,775
Net Assets, Beginning of Year	5,205,632	470,045	5,675,677	5,084,857	470,045	5,554,902
Net Assets, End of Year	$ 5,560,918	$ 470,045	$ 6,030,963	$ 5,205,632	$ 470,045	$ 5,675,677

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

STARC OF LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services						Supporting Services			
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Board and Fundraising	Total Supporting Services	Total
Salaries, Wages, and Benefits	$ 884,332	$ 227,276	$ 942,053	$ 1,591,972	$ 151,722	$ 3,797,355	$ 1,156,094	$ 38,405	$ 1,194,499	$ 4,991,854
Payroll Taxes	65,640	16,483	68,032	120,971	12,146	283,272	84,635	3,014	87,649	370,921
Professional Services	12,225	3,205	17,814	1,320	853	35,417	7,058	1,668	8,726	44,143
Day Service Charges	-	-	268,731	-	-	268,731	-	-	-	268,731
State Bed Fees	-	-	179,443	-	-	179,443	-	-	-	179,443
Supplies	21,437	36,709	130,053	10,388	38,745	237,332	24,304	1,369	25,673	263,005
Interest	45,249	-	4,354	-	-	49,603	36,532	-	36,532	86,135
Telephone	29,887	5,646	15,811	16,927	2,995	71,266	28,916	789	29,705	100,971
Occupancy	116,202	45,044	124,442	33,287	-	318,975	76,501	8,963	85,464	404,439
Insurance	93,204	25,605	97,775	75,510	39,697	331,791	50,090	6,916	57,006	388,797
Depreciation and Amortization	104,709	21,212	126,715	15,747	23,163	291,546	71,707	-	71,707	363,253
Travel and Transportation	154,137	243	71,216	19,722	17,576	262,894	13,472	273	13,745	276,639
Conferences and Training	10,989	2,557	14,049	21,047	111	48,753	7,376	184	7,560	56,313
Miscellaneous	7,776	2,119	11,781	23,585	76,593	121,854	49,677	8,952	58,629	180,483
Total	$ 1,545,787	$ 386,099	$ 2,072,269	$ 1,930,476	$ 363,601	$ 6,298,232	$ 1,606,362	$ 70,533	$ 1,676,895	$ 7,975,127

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

STARC OF LOUISIANA, INC.
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2018

	Program Services						Supporting Services			
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Board and Fundraising	Total Supporting Services	Total
Salaries, Wages, and Benefits	$ 899,315	$ 207,819	$ 730,835	$ 1,487,808	$ 182,237	$ 3,508,014	$ 1,188,689	$ 30,665	$ 1,219,354	$ 4,727,368
Payroll Taxes	66,864	15,213	54,931	107,329	14,484	258,821	81,933	2,365	84,298	343,119
Professional Services	16,903	3,770	14,979	6,994	1,929	44,575	18,156	6,194	24,350	68,925
Day Service Charges	-	-	206,135	-	-	206,135	-	-	-	206,135
State Bed Fees	-	-	141,474	-	-	141,474	-	-	-	141,474
Supplies	15,402	33,356	88,709	7,021	34,461	178,949	21,823	1,780	23,603	202,552
Interest	31,294	-	-	-	-	31,294	20,561	-	20,561	51,855
Telephone	28,404	5,791	13,909	12,281	4,049	64,434	27,492	869	28,361	92,795
Occupancy	127,202	32,602	112,653	30,212	-	302,669	101,868	5,969	107,837	410,506
Insurance	85,265	23,518	60,532	87,123	64,821	321,259	50,602	6,795	57,397	378,656
Depreciation and Amortization	79,958	21,212	60,683	10,533	82,765	255,151	48,983	-	48,983	304,134
Travel and Transportation	116,393	218	31,320	14,432	29,840	192,203	16,570	442	17,012	209,215
Conferences and Training	7,884	4,613	13,438	23,572	215	49,722	15,895	300	16,195	65,917
Miscellaneous	8,680	902	5,033	18,134	25,915	58,664	34,823	67,460	102,283	160,947
Total	$ 1,483,564	$ 349,014	$ 1,534,631	$ 1,805,439	$ 440,716	$ 5,613,364	$ 1,627,395	$ 122,839	$ 1,750,234	$ 7,363,598

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

STARC OF LOUISIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	$ 355,286	$ 120,775
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Depreciation and Amortization	363,253	304,134
(Gain) Loss on Disposition of Property and Equipment	(380,084)	39,768
(Increase) Decrease in Operating Assets		
Accounts Receivable, Net	269,860	(356,077)
Unconditional Promises to Give, Net	27,466	36,788
Linen Inventory	-	(4,589)
Prepaid Expenses	78,683	(65,871)
Deposits	500	-
Notes Receivable	1,880	7,680
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(155,490)	36,939
Accrued Salaries, Wages, and Taxes	(53,288)	64,161
Accumulated Paid Leave	(764)	13,871
Deferred Revenue	218,453	(54,459)
Net Cash Provided by Operating Activities	725,755	143,120
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(286,279)	(32,468)
Purchases of Construction in Progress	(59,261)	(1,268,080)
Purchases of Other Assets	-	(205,079)
Proceeds from Sale of Property and Equipment	789,769	-
Net Cash Provided by (Used in) Investing Activities	444,229	(1,505,627)
Cash Flows from Financing Activities		
Payments on Line of Credit	-	(74,793)
Proceeds from Long-Term Debt	62,891	797,769
Principal Payments on Long-Term Debt	(176,426)	(154,133)
Net Cash (Used in) Provided by Financing Activities	(113,535)	568,843
Net Increase (Decrease) in Cash and Cash Equivalents	1,056,449	(793,664)
Cash and Cash Equivalents, Beginning of Year	3,378,653	4,172,317
Cash and Cash Equivalents, End of Year	$ 4,435,102	$ 3,378,653
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	$ 86,135	$ 94,181
Supplemental Disclosures of Non-Cash Financing Transactions		
Debt Issued for Purchase of Vehicle	$ 62,891	$ -
Debt Issued for for Renovations	$ -	$ 797,769

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

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

STARC of Louisiana, Inc. (STARC) was incorporated on June 20, 1968. STARC provides the following program services to citizens of St. Tammany Parish with a developmental and/or intellectual disabilities:

- Adult Habilitation Services - Provides services to families with infants and toddlers from birth to 36 months of age who have a medical condition likely to result in a cognitive, motor, vision, hearing, communication, social-emotional, and/or adaptive developmental delay(s), or who have already been diagnosed with one or more developmental delays. Early Steps services are designed to improve a family's capacity to enhance a child's development. These services are provided in the child's natural environment, such as the child's home, childcare, or any other community setting typical for children from birth to 36 months of age.

- Infant Habilitation Services - Assist individuals in acquiring and retaining skills needed for independence, recreation, and interpersonal proficiencies. Individuals must be 18 years of age or older and have a developmental and/or intellectual disability diagnosis. Individuals must have funding for services that can include waiver, contractual, and private pay.

- Residential Services - Residential community homes provide opportunities for individuals to live in a family-style home in a typical neighborhood. Trained staff members provide care and support for activities of daily living, socialization, community access, and health care coordination and services. Individuals must be age 16 or older and have a primary diagnosis of developmental and/or intellectual disability.

- Waivered Services - Medicaid home and community-based waiver programs allow people greater flexibility to choose where they want to live and to use services and supports that best suit their needs. Services provided must represent a least-restrictive treatment alternative.

- Commercial Business Services - Provides a center-based environment at licensed facilities in Slidell and Mandeville, where our seasoned staff work closely with individuals to help them develop, increase, and retain skills necessary for the performance of productive and meaningful work.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and liabilities.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation

STARC follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). STARC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, STARC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

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.

Note 1. Nature of Organization and 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. Pledges are expected to be collected over a five-year period. Management feels any discounts on pledges expected to be collected after one year are not material. As a result, pledges are recorded at the net realizable value. As of June 30, 2019, unconditional promises to give are shown on the statements of financial position consisted of $21,935, net of allowance of $5,000, due from donors of STARC for Life Campaign and $30,000 due from United Way. As of June 30, 2018, unconditional promises to give are shown on the statements of financial position consisted of $29,921, net of allowance of $8,000, due from donors of STARC for Life Campaign and $52,480 due from United Way.

Inventory and Bed Licenses Amortization

Expense for amortization of the commercial services inventory for the years ended June 30, 2019 and 2018 totaled $4,589 and $5,078, respectively. Expense for amortization of the bed licenses for the years ended June 30, 2019 and 2018 totaled $37,702 and $12,120, respectively.

Property and Equipment

Purchased property and equipment, in excess of $5,000, are capitalized and recorded at cost at the date of acquisition. Contributed property and equipment are recorded at fair value at the date of donation. Expenses for maintenance, repairs, and renewals of minor items are charged as incurred.

Depreciation and amortization are computed by the straight-line method at rates based on the following estimated useful lives: Furniture and Equipment - 5 to 20 years; Building and Improvements - 5 to 30 years; and Vehicles - 3 to 5 years.

Depreciation expense for the years ended June 30, 2019 and 2018 was $320,962 and $286,936, respectively.

Donated Assets and Services

STARC recorded non-cash donations as contributions at its estimated fair market value at the date of donation.

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.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The cost of providing the STARC's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. As of June 30, 2019 and 2018, all expenses were allocated by direct identification and not allocated.

Income Taxes

STARC qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. STARC believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Use of 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.

Recent Accounting Pronouncements - Adopted

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. STARC implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The adoption of the ASU resulted in no reclassification of net assets.

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09*, Revenue from Contracts with Customers (Topic 606),* which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for STARC beginning in the year ending July 31, 2019, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. STARC does not anticipate a material impact from adopting the new revenue standard on its financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted (Continued)

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. STARC is currently evaluating the impact ASU 2016-02 will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 will clarify and improve current guidance about whether a transfer of assets, or the reduction, settlement of cancellation of liabilities, is a contribution or an exchange transaction. ASU 2018-08 is effective for STARC on July 1, 2020. Management is currently evaluating the impact of ASU 2018-08 will have on the financial statements.

Note 2. 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 (FDIC). At June 30, 2019 and 2018, respectively, approximately $1,700,000 and $1,900,000 of cash and cash equivalents were uninsured. STARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

A significant portion of STARC's revenue is derived from the ad valorem tax revenue described in Note 8, the Medicaid waiver program, and Title XIX funding. As of June 30, 2019, ad valorem taxes represent 21% of revenues, Medicaid waiver program represents 34% of revenues, and Title XIX represents 20% of revenues. As of June 30, 2018, ad valorem taxes represent 25% of revenues, Medicaid waiver program represents 34% of revenues, and Title XIX represents 18% of revenues.

Note 3. Accounts Receivable

As of June 30th, accounts receivable were comprised of:

		2019		2018
Waiver Services	**$**	**231,002**	$	469,355
Title XIX		**192,179**		108,785
Supported Services		**66,220**		72,530
Vehicle Grants		**-**		112,264
Contracted Services		**26,709**		25,447
Other		**3,418**		1,007
Total	**$**	**519,528**	$	789,388

Note 4. Unconditional Promises to Give

As of June 30th, unconditional promises to give were comprised of:

		2019		2018
Due Within One Year	**$**	**51,935**	$	82,401
Less: Allowance		**(5,000)**		(8,000)
Unconditional Promises to Give, Net	**$**	**46,935**	$	74,401

Note 5. Liquidity and Availability

STARC regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources STARC has available. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of the following:

Cash and Cash Equivalents	$	4,435,102
Accounts Receivable, Net		519,528
Total	$	4,954,630

Note 6. 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, unused annual leave hours up to established limits, 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.

	2019	2018
Beginning Balance	**$ 175,667**	$ 161,796
Additions	**187,011**	211,334
Reductions	**(187,775)**	(197,463)
Ending Balance	**$ 174,903**	$ 175,667

Note 7. 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 net assets without donor restrictions to ensure adequate financing. At June 30, 2019 and 2018, STARC's Board had $104,671 and $211,922, respectively, in designated funds which are designated for expanding programs services to involve more families and the community in the joyful growth of all citizens.

Note 8. 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. STARC received $1,964,366 and $1,874,866, of which $1,583,594 and $1,366,415 was deferred for the fiscal years ended June 30, 2018 and 2017, respectively, to properly recognize revenue when it will be earned. STARC incurred expenditures relating to the services provided in the amount of $1,747,187 and $1,853,754 for the years ended June 30, 2019 and 2018, respectively. The ad valorem tax received from the Council and the expenditures incurred are included in the specific programs and supporting services of STARC on the statements of activities.

Note 9. 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, 2019 and 2018, was $48,232 and $69,516, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions totaled $470,045, for years ended June 30, 2019 and 2018, are donations from corporations, individuals, and pledges receivable from the United Way of Greater New Orleans to support Jacob's Ladder Adult Day Care. There were $30,000 and $52,480 of net assets released from donor restrictions for the years ended June 30, 2019 and 2018, respectively.

Note 11. Long-Term Debt

STARC had the following notes payable as of June 30th:

	2019	2018
Mortgage note dated March 31, 2018, payable to a bank in monthly installments of $6,800, consisting of principal and interest accruing at a rate of 4.80% through October 2029. Collateralized by land and building.	**$ 940,648**	$ 1,003,173
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 6.10% through November 2018. Collateralized by land and building.	**-**	41,552
Mortgage note dated May 26, 2017, payable to a bank in monthly installments of $6,106, consisting of principal and interest accruing at a rate of 4.30% through June 2024. Collateralized by land and building.	**864,336**	926,970
Vehicle financing arrangement dated September 9, 2018, payable in monthly installments of $1,279, consisting of principal and interest accruing at a rate of 7.99% through September 2023.	**53,176**	-
Total	**$ 1,858,160**	$ 1,971,695

Note 11. Long-Term Debt (Continued)

Maturities are as follows:

Year Ending June 30,	Amount
2020	$ 151,012
2021	158,932
2022	167,045
2023	175,593
2024	169,879
Thereafter	1,035,699
Total	$ 1,858,160

Interest paid on the note payable for the years ended June 30, 2019 and 2018, was $86,135 and $94,181, respectively.

Note 12. Donated Facilities

STARC occupied 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 $4,800 and $16,175 for the years ended June 30, 2019 and 2018, respectively. This amount includes donated rent at fair value of the property and donated utilities.

Note 13. Warehouse Lease

In September 2015, STARC entered into an agreement to lease the warehouse which housed the linen service operations to a third party for a term of 36 months, beginning October 2, 2015. The lessee agreed to pay monthly installments of $2,960 for the first six months. The monthly installments increased by $740 per month for the next six months. The warehouse was sold to Freemoe Holdings in August 2018. STARC received rental lease income for 3 months totaling $22,200 during the year ended June 30, 2019.

Note 14. Operating Leases

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 has multiple operating leases for office equipment at various locations. Lease expense for office equipment for the years ended June 30, 2019 and 2018, was $10,788 and $13,115, respectively.

Note 15. Retirement Plans

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 executive staff 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 this plan each year as a percentage of all participants' contributions.

STARC's contribution for both plans for the years ended June 30, 2019 and 2018, was $12,750 and $11,092, respectively.

Note 16. Deferred Compensation

On March 16, 2005, the Board established a years of service bonus 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 bonus 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. Bonus payments are based on 50%, 75%, or 100% of the employee's annualized regular salary at retirement date, depending on years of service. Bonus payment expense was $35,497 and $26,027 for the years ended June 30, 2019 and 2018, respectively, and is recorded in salary, wages, and benefits on the statements of functional expense.

Note 17. Contingencies

From time to time, STARC is involved in claims or legal proceedings arising in the ordinary course of operations. In the opinion of management, the outcome of such actions will have no material impact on STARC’s financial position or results of operations.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 26, 2019, and determined that no events occurred that require disclosure. No subsequent events after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

STARC OF LOUISIANA, INC.
Supplementary Information
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2019

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended LRS 24:513(A)(3) to clarify that non-governmental entities or non-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
Dianne Baham, Executive Director (July 2018 through December 2018)
Mark Baham, Executive Director (January 2019 through June 2019)

	Diane Baham	**Mark Baham**
Purpose	**Amount**	**Amount**
Salary	$44,766	$58,594
Benefits - Insurance	$40	$29
Benefits - Retirement	$86	$234
Benefits - Other	$12,300	$820
Vehicle Provided by Agency	$3,273	$5,685
Per Diem	$0	$0
Reimbursements	$438	$480
Travel	$0	$0
Registration Fees	$0	$0
Conference Travel	$0	$0
Continuing Professional Education Fees	$0	$0
Housing	$0	$0
Unvouchered Expenses	$0	$0
Special Meals	$0	$0

See independent auditor’s report.

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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*

Independent Auditor's Report

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

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 financial statements of STARC of Louisiana, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered STARC of Louisiana, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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, we 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.

Our 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 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 STARC of Louisiana, Inc.'s 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 on 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
December 26, 2019

Part I - Summary of Auditor's Results

Financial Statements

1.	Type of auditors' report issued:	Unmodified
2.	Internal control over financial reporting and compliance and other matters:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified?	None reported
	c. Noncompliance material to the financial statement?	No
3.	Management letter comment provided?	No

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Findings Related to the Financial Statements

None.

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AGREED-UPON PROCEDURES REPORT

STARC of Louisiana, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended June 30, 2019

To the Management of STARC of Louisiana, Inc. and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted.

Management of STARC of Louisiana, Inc. (STARC) is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of STARC and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls at STARC during the year ended June 30, 2019, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and 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) ***Purchasing***, including how vendors are added to the vendor list.

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

   c) ***Bank Reconciliations***, review of all bank reconciliations by someone independent of cash receipt and disbursement functions.

   Results: No exceptions noted.

Capital Assets

2. Obtain and inspect the entity's written policies and procedures over capital assets and observe that they address the process for tagging assets, performing an annual inventory, and disposing of assets.

   Results: No exceptions noted.

3. Obtain documentation from management for the most recent capital asset inventory count in which all assets were inventoried. Observe that the inventory count was performed no more than one year ago.

   Results: No exceptions noted.

4. Obtain a listing of capital assets and obtain management's representation that the listing is complete. Randomly select 25 assets from the listing, physically locate each asset, and observe that each asset is tagged and agrees to the information on the listing as to the location, description, manufacturer, model, and serial number.

   Results: No exceptions noted.

5. Select ten capital assets in two physical locations (if entity has at least two physical locations) that meet the asset capitalization threshold (e.g., vehicles, office furniture, lawn mowers). Observe that each asset is tagged and trace to the listing from #4 above. Observe that each asset is included on the listing and agree the information on the listing to the location, description, manufacturer, model, and serial number of the asset.

   Results: No exceptions noted.

Bank Reconciliations

6. Obtain a listing of client 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 four additional accounts (or all accounts if less than five). 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 two months of the related statement closing date (e.g., initialed and dated, electronically logged);

   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

   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.

   Results: No exceptions noted.

Disaster Recovery/Business Continuity

7. Obtain and inspect the entity's written policies and procedures over disaster recovery/business continuity and observe that they address (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. Obtain management's representation that its written policies and procedures reflect the actual practices of the entity.

   Results: No exceptions noted.

8. 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 month. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

   Results: No exceptions noted.

9. 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 12 months.

   Results: No exceptions noted.

10. Obtain a listing of entity computers/related locations and management's representation that the listing is complete. Randomly select five computers and observe management demonstrate that the selected computers have active antivirus software, that the antivirus software is up-to-date, and that operating system software is up-to-date.

    Results: No exceptions noted.

This agreed-upon procedures engagement was performed 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 perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. 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.

This report is intended solely for the use of management of STARC of Louisiana, Inc. and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
December 26, 2019