

THE ARC OF GREATER NEW ORLEANS

FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018



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THE ARC OF GREATER NEW ORLEANS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of Greater New Orleans
Metairie, Louisiana

We have audited the accompanying financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), 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.

Auditors' 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 audits 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 auditors' 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 Organization'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 Organization'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 the Organization 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 – Adoption of New Accounting Pronouncement

As described in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*; this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were 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 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 standard 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 January 2, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Organization's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

January 2, 2020

**THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION**

<i>As of June 30,</i>	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,991	\$ 35,378
Accounts receivable	868,524	805,204
Inventory	7,079	6,108
Prepaid expenses	97,700	55,993
Restricted trust fund	18,856	19,722
Other current assets	4,008	4,105
Total Current Assets	1,046,158	926,510
PROPERTY AND EQUIPMENT, net	1,151,512	1,604,588
TOTAL ASSETS	\$ 2,197,670	\$ 2,531,098
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 501,848	\$ 397,854
Compensated absences	86,162	89,096
Line of credit	-	150,000
Deferred revenue	-	10,000
Current maturities of long-term debt	50,827	56,210
Total Current Liabilities	638,837	703,160
LONG-TERM DEBT, net of current maturities	352,868	662,607
TOTAL LIABILITIES	991,705	1,365,767
NET ASSETS		
Without donor restrictions	1,205,965	1,165,331
TOTAL NET ASSETS	1,205,965	1,165,331
TOTAL LIABILITIES AND NET ASSETS	\$ 2,197,670	\$ 2,531,098

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

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES

<i>For the Year Ended June 30,</i>	<i>2019</i>		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Federal grant income	\$ 75,000	\$ -	\$ 75,000
Contributions	548,948	-	548,948
United Way Allocations	33,830	-	33,830
Client fees	877,109	-	877,109
Medicaid	6,328,919	-	6,328,919
Group home	226,649	-	226,649
Other income	57,501	-	57,501
Total Support and Revenue	8,147,956	-	8,147,956
EXPENSES			
Program services			
Employment services	188,522	-	188,522
Individual options	1,739,016	-	1,739,016
Project H.E.L.P.	3,266,608	-	3,266,608
Operations department	1,676,281	-	1,676,281
Family service coordination	233,273	-	233,273
Supporting services			
Management and general	984,336	-	984,336
Fundraising	19,286	-	19,286
Total Expenses	8,107,322	-	8,107,322
CHANGES IN NET ASSETS	40,634	-	40,634
NET ASSETS - Beginning of year	1,165,331	-	1,165,331
NET ASSETS - End of year	\$ 1,205,965	\$ -	\$ 1,205,965

The accompanying notes are an integral part of this financial statement.

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Federal grant income	\$ 75,000	\$ -	\$ 75,000
Contributions	496,263	-	496,263
United Way allocations	38,545	-	38,545
Client fees	916,260	-	916,260
Medicaid	5,784,480	-	5,784,480
Group home	235,376	-	235,376
Other income	188,575	-	188,575
Total Support and Revenues	7,734,499	-	7,734,499
EXPENSES			
Program services			
Employment services	171,122	-	171,122
Individual options	1,668,265	-	1,668,265
Project H.E.L.P.	3,162,888	-	3,162,888
Operations department	1,645,482	-	1,645,482
Family service coordination	239,485	-	239,485
Supporting services			
Management and general	924,846	-	924,846
Fundraising	23,073	-	23,073
Total Expenses	7,835,161	-	7,835,161
CHANGES IN NET ASSETS	(100,662)	-	(100,662)
NET ASSETS - Beginning of year	1,265,993	-	1,265,993
NET ASSETS - End of year	\$ 1,165,331	\$ -	\$ 1,165,331

The accompanying notes are an integral part of this financial statement.

**THE ARC OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30,

2019

	Program Services					Supporting Services		Total
	Employment Services	Individual Options	Project H.E.L.P.	Arc Enterprises	Family Services Coordination	Management and General	Fundraising	
Salaries	\$ 134,319	\$ 813,849	\$ 2,693,354	\$ 916,085	\$ 157,852	\$ 545,430	\$ 375	\$ 5,261,264
Benefits	7,227	60,913	181,087	72,919	7,607	40,694	-	370,447
Payroll taxes	9,962	61,082	211,745	70,001	12,003	43,020	-	407,813
Professional services	4,048	18,158	53,508	17,782	7,136	112,251	-	212,883
Supplies	468	3,465	2,483	12,828	787	15,361	13,093	48,485
Advertising	128	15,691	50	357	-	16,013	26	32,265
Telephone	5,814	12,849	13,282	11,576	6,713	10,620	-	60,854
Postage	10	1,701	209	35	973	2,035	320	5,283
Occupancy	13,172	249,771	36,310	228,505	24,940	60,450	100	613,248
Repairs and maintenance	3,523	112,754	9,373	75,258	6,452	19,824	30	227,214
Local transportation	3,790	219,185	28,263	195,452	7,747	13,066	-	467,503
Travel, conferences, and training	2,005	7,601	35,624	7,857	995	28,236	-	82,318
Printing and publications	102	102	102	170	68	1,079	94	1,717
Membership dues	-	149	-	-	-	6,417	-	6,566
Other expenses	2,190	87,732	1,218	5,159	-	30,647	5,248	132,194
Payments to affiliates	-	-	-	-	-	16,653	-	16,653
Interest	-	1,204	-	14,092	-	12,338	-	27,634
Depreciation	1,764	72,810	-	48,205	-	10,202	-	132,981
	\$ 188,522	\$ 1,739,016	\$ 3,266,608	\$ 1,676,281	\$ 233,273	\$ 984,336	\$ 19,286	\$ 8,107,322

The accompanying notes are an integral part of this financial statement.

**THE ARC OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30,

2018

	Program Services					Supporting Services		Total
	Employment Services	Individual Options	Project H.E.L.P.	Arc Enterprises	Family Services Coordination	Management and General	Fundraising	
Salaries	\$ 117,481	\$ 826,932	\$ 2,596,982	\$ 887,191	\$ 160,772	\$ 517,327	\$ 5,834	\$ 5,112,519
Benefits	7,620	50,554	180,873	90,727	12,967	39,882	-	382,623
Payroll taxes	8,925	62,112	199,463	76,657	11,839	36,894	-	395,890
Professional services	5,739	22,509	35,075	16,050	7,051	76,124	6,500	169,048
Supplies	236	2,666	2,972	6,995	975	14,671	5,746	34,261
Advertising	79	12,969	813	495	56	16,576	-	30,988
Telephone	3,540	12,145	16,507	12,027	5,482	10,616	-	60,317
Postage	65	1,549	472	75	754	1,750	21	4,686
Occupancy	12,921	255,693	45,141	227,582	22,965	58,753	-	623,055
Repairs and maintenance	5,407	101,176	8,965	69,542	6,480	29,176	513	221,259
Local transportation	4,346	176,334	38,464	161,817	8,463	14,491	77	403,992
Travel, conferences, and training	1,291	5,316	35,882	8,883	1,480	890	-	53,742
Printing and publications	37	550	-	-	-	197	-	784
Membership dues	-	100	-	-	-	3,544	-	3,644
Other expenses	3,236	77,182	1,279	5,841	201	38,622	4,382	130,743
Payments to affiliates	-	-	-	-	-	16,696	-	16,696
Interest	-	-	-	9,953	-	35,692	-	45,645
Depreciation	199	60,478	-	71,647	-	12,945	-	145,269
	<u>\$ 171,122</u>	<u>\$ 1,668,265</u>	<u>\$ 3,162,888</u>	<u>\$ 1,645,482</u>	<u>\$ 239,485</u>	<u>\$ 924,846</u>	<u>\$ 23,073</u>	<u>\$ 7,835,161</u>

The accompanying notes are an integral part of this financial statement.

THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF CASH FLOWS

<i>For the Years Ended June 30,</i>	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 40,634	\$ (100,662)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Gain) Loss on disposal of property	(57,501)	1,017
Depreciation	132,981	145,269
Changes in operating assets and liabilities:		
Accounts receivable	(63,320)	151,603
Inventory	(971)	(6,108)
Prepaid expenses	(41,707)	(7,508)
Restricted trust fund	866	52,845
Other current assets	97	9,533
Accounts payable and accrued expenses	103,994	(2,048)
Deferred revenue	(10,000)	-
Compensated absences	(2,934)	(10,917)
Net Cash Provided By Operating Activities	102,139	233,024
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(82,027)	(265,468)
Proceeds from sale of property	459,623	-
Net Cash Provided By (Used In) Investing Activities	377,596	(265,468)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	58,297	316,164
Payments on line of credit	(150,000)	(150,000)
Principal payments on long-term debt	(373,419)	(153,020)
Net Cash (Used In) Provided By Financing Activities	(465,122)	13,144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,613	(19,300)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	35,378	54,678
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 49,991	\$ 35,378
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 27,634	\$ 45,645

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

THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Arc of Greater New Orleans (the Organization) was incorporated in July 1953. The Organization is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Family Services Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Arc Enterprises (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a five-parish area (Orleans, Jefferson, Plaquemines, St. Tammany and St. Bernard). The majority of the Organization's revenue is derived from contracts for services with the State of Louisiana, Jefferson Parish, and various private contracts with businesses in the five-parish area.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At June 30, 2019 and 2018, the Organization did not have any Net Assets With Donor Restrictions.

THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Under the provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Louisiana, the Organization is exempt from taxes on income other than unrelated business income. The Organization has also been classified as an entity that is not a private Organization in Section 170 (b)(1)(A)(vi). Since the Organization had no net unrelated business income during the years ended June 30, 2019 and 2018, no provision for income tax was made. Management does not believe there are any uncertain tax positions.

Contributed Services

Various functions of the Organization are conducted by unpaid officers, board members, and volunteers. The Organization 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. For the years ended June 30, 2019 and 2018, the Organization believes the value of contributed services meeting the requirements for recognition in the financial statements was not material and, therefore, has not recorded an amount for contributed services.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

All receivables at June 30, 2019 and 2018, are considered collectible by management; accordingly, an allowance for doubtful accounts is not considered necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off. For the years ended June 30, 2019 and 2018, management did not write off any outstanding receivables.

THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Trust Fund

The Organization has a trust fund set up with the 501(c) Agencies Trust which is used for the payment of any unemployment claims that arise during the year. The Organization has a reimbursable account with the Louisiana Workforce Commission (LWC), so when a claim is made LWC pays the unemployment and the Organization then reimburses the LWC through their trust account with 501(c) Agencies Trust. For the years ended June 30, 2019 and 2018 the amount available in the trust for unemployment claims was \$18,856 and \$19,722, respectively.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000 with a useful life of more than one year. Lesser amounts and amounts for assets with a life less than a year are expensed. Purchased property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and leasehold improvements range from 10 to 31 years; and those of furniture and equipment, and autos, trucks and tractors range from 3 to 10 years.

Restricted and Unrestricted Revenue and Other Support

All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases the net asset class. 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 donor restrictions. Medicaid and group home revenue are reported at the estimated net realizable amounts for services rendered.

Recently Adopted Accounting Standards

Effective July 1, 2018, the Organization adopted the FASB ASU No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been renamed net assets with donor restrictions.

THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The presentation of functional classification of expenses in a financial statement is supplemented with enhanced disclosures about the methods used to allocate cost among functions and the basis for which to allocate cost between program and supporting expenses (See Note 11).
- The financial statements include a new footnote disclosure about liquidity and availability of resources (See Note 12).

Future Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. The ASU is effective for fiscal year-ending June 30, 2020, but early adoption is permitted. The Organization has not elected to early adopt this standard. The Organization is currently evaluating the impact of the adoption of this ASU on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of this ASU on its financial statements.

Reclassification

The Statement of Activities and Functional Expenses reflect a reclassification of “Payments to affiliates,” which is no longer a separate line item, but included within the “Management and general” line item on the Statement of Activities and Functional Expenses.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Organization has concentrated its credit risk by maintaining deposits in banks that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2018, the Organization’s cash deposits did not exceed the FDIC insured limit.

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – COMPENSATED ABSENCES

The Organization’s employees receive from eight to seventeen days of annual paid leave upon completion of an introductory period, depending on employee classification. Annual leave vests with the employee, and, therefore, has been accrued up to a maximum accumulated cap of twenty days per employee. Unpaid compensated absences amounted to \$86,162 and \$89,096 at June 30, 2019 and 2018, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2019	2018
Land	\$ -	\$ 175,187
Buildings	380,280	703,237
Leasehold improvements	1,093,986	1,126,454
Furniture and equipment	440,176	416,442
Autos, trucks, and tractors	1,328,684	1,275,103
Total property and equipment	3,243,126	3,696,423
Less: accumulated depreciation	(2,091,614)	(2,091,835)
Property and equipment, net	\$ 1,151,512	\$ 1,604,588

Depreciation expense was \$132,981 and \$145,269 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit available totaling \$250,000 with a maturity date of August 30, 2019. Subsequent to year-end, the Organization renewed the line of credit and extended the maturity date to August 30, 2020. The unpaid principal balance bears interest at the Prime Rate less 2%, adjusted daily, with a floor of 6.25%. Interest payments are due monthly. At June 30, 2019, the Organization did not have an outstanding balance on its line of credit as proceeds from the sale of the Hessmer building were used to pay off the balance. At June 30, 2018, the Organization had an outstanding balance of \$150,000 on its line of credit.

The line of credit is secured by all inventory, goods, and other items of personal property and receivables. Subsequent to year end, the Organization has not drawn on the line of credit.

**THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – LONG-TERM DEBT

The Organization had the following long-term debt:

As of June 30,	2019	2018
4.95% note payable, dated February 14, 2014, due February 14, 2034, payable in monthly installments to Gulf Coast Bank of \$2,487, including interest, secured by real property.	\$310,112	\$323,258
5.25% note payable, dated January 12, 2018, due January 12, 2038, payable in monthly installments to Gulf Coast Bank and Trust Company of \$2,170, including interest, secured by real property. This note was paid in full during the year ended June 30, 2019.	-	316,164
5.17% note payable, dated October 22, 2014, due January 21, 2021, payable in monthly installments to Chrysler of \$527, including interest, secured by real property.	9,174	14,843
6.24% note payable, dated June 9, 2014, due June 9, 2019, payable in monthly installments to Ford Motor Credit of \$384, including interest, secured by real property. The note was paid in full as of June 30, 2019.	-	4,471
6.84% note payable, dated October 15, 2014, due October 15, 2019, payable in monthly installments to Ford Motor Credit of \$489, including interest, secured by real property. The note was paid in full as of June 30, 2019.	-	7,482
7.19% note payable, dated June 10, 2019, due June 10, 2025, payable in monthly installments to Ford Motor Credit of \$518, including interest, secured by real property.	30,539	-
6.79% note payable, dated November 13, 2015, due November 15, 2019, payable in monthly installments to Ford Motor Credit of \$659, including interest, secured by real property. Subsequent to year-end, the Organization paid this note in full.	3,243	10,697
6.79% note payable, dated December 9, 2016, due December 15, 2019, payable in monthly installments to Ford Motor Credit of \$585, including interest, secured by real property.	10,049	16,173
6.94% note payable, dated May 24, 2017, due June 22, 2022, payable in monthly installments to Ford Motor Credit of \$593, including interest, secured by real property.	16,282	25,729

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG TERM DEBT (CONTINUED)

8.90% note payable, dated September 13, 2018, due September 13, 2022, payable in monthly installments to Ally Bank of \$547, including interest, secured by real property.	24,296	-
Total Debt	403,695	718,817
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Current maturities of long-term debt	(50,827)	(56,210)
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Long-term debt	\$ 352,868	\$ 662,607
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Principal payments for future fiscal years are as follows:

2020	\$	50,827
2021		36,691
2022		33,438
2023		24,167
2024		23,477
Thereafter		235,095
<hr/>		
Total	\$	403,695
<hr/>		

Interest expense on long-term debt for the years ended June 30, 2019 and 2018 was \$27,634 and \$45,645, respectively.

NOTE 7 – MAJOR SUPPORT

For the years ended June 30, 2019 and 2018, the Organization earned 85% and 75%, respectively, of its support and revenues from Medicaid reimbursement arrangements. The Organization received a fixed rate per encounter for its Medicaid program. Accounts receivable included \$707,392 and \$630,670 from Medicaid reimbursement sources for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, Medicaid receivables account for 81% and 79% of total accounts receivable, respectively.

NOTE 8 – RENT-FREE USE OF FACILITIES

During 2019 and 2018, the Organization was furnished free use of facilities at four locations from unrelated parties. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of a public education facility. The aggregate fair market value of the use of these facilities is approximately \$33,165 per month.



THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RENT-FREE USE OF FACILITIES (CONTINUED)

These amounts are recorded as contributions in support and revenues in the statements of activities and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to \$397,978 and \$362,828 for the years ended June 30, 2019 and 2018, respectively. The commitments for the use of these facilities expire at various times through 2030.

The Organization has made cumulative improvements to the buildings, which amount to approximately \$1,126,454 and are depreciating those improvements over the shorter of the economic life of improvements or the lease agreements.

NOTE 9 – ECONOMIC DEPENDENCY

The Organization receives federal and state funding on a per diem per client/unit basis as well as state and parish grants on a per diem basis. If significant budget cuts are made at the state and/or local levels, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

NOTE 10 – PAYMENTS TO AFFILIATES

The Organization paid \$16,653 and \$16,696 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2019 and 2018, respectively for annual dues.

NOTE 11 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Any costs related to program administration or fundraising are functionally classified as supporting service expenses. Any costs related to activities that constitute direct conduct or direct supervision of program service are program expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Organization.

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Salaries, benefits and payroll taxes have been allocated based on time and effort. Occupancy, depreciation, and repairs and maintenance have been allocated based on square footage and vehicle utilization. Professional services, other expenses, advertising, telephone, conference and meeting, transportation, supplies, postages and printing, and interest charges have been allocated based on actual expenses.



THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 12 — LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has \$918,515 of financial assets available within one year of the financial position dated June 30, 2019 consisting of cash and cash equivalents of \$49,991 and accounts receivables of \$868,524. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for the general expenditure within one year of the financial position date. The Organization has a goal to maintain a financial asset balance available to cover one year of general expenses, excluding expenses for program services. In the event of unanticipated liquidity needs, the Organization would seek borrowing from its available line of credit.

NOTE 13 – RETIREMENT PLAN

Effective July 1, 1999, the Organization adopted a 401(k) retirement plan that covers most of its employees. The Organization matches 50% of employee salary contributions up to 6% of compensation. Matching contributions amounted to \$40,189 and \$32,929 for the years ended June 30, 2019 and 2018, respectively and is included in the benefits column on the statement of functional expense.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 2, 2020 and determined that, other than those disclosed in Notes 5 and 6, there are no events that have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

THE ARC OF GREATER NEW ORLEANS

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

Agency Head Name: Stephen Sauer, Executive Director

For the Year Ended June 30,

2019

<i>Purpose</i>	<i>Amount</i>
Salary	\$ -
Benefits-health insurance	-
Benefits-retirement	-
Deferred compensation	-
Workers comp	-
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-FICA & Medicare	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings & conventions	-
Other	-
Total	\$ -

*There were no payments for the benefit of the Executive Director that were derived from public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that the Organization receives.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
The Arc of Greater New Orleans
Metairie, 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 The Arc of Greater New Orleans (a nonprofit organization) (the Organization), 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 financial statements, and have issued our report thereon dated January 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Car, Riggs & Ingram, L.L.C.

January 2, 2020



**THE ARC OF GREATER NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The Arc of Greater New Orleans (the Organization) (a nonprofit organization),
2. No instances of noncompliance material to the financial statements of the Organization were disclosed and identified during the audit.
3. No instances of noncompliance with laws, rules, and regulations that were disclosed and identified during the audit.

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

No findings noted.

SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

No findings noted.



**THE ARC OF GREATER NEW ORLEANS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

No findings noted.

SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

No findings noted.

The ARC of Greater New Orleans
STATEWIDE AGREED-UPON PROCEDURES REPORT

June 30, 2019



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
The ARC of Greater New Orleans
Louisiana Legislative Auditor
Metairie, LA

We have performed the procedures enumerated below, which were agreed to by The ARC of Greater New Orleans (the Organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Organization's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. 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 associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the Organization's written policies and procedures and observe that they address each of the following categories and subcategories:

- a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Results: No exceptions were found as a result of applying this procedure.

- 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.

Results: The Organization's written policies and procedures did not include procedures on (2) how vendors are added to the vendor list.

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

Results: No exceptions were found as a result of applying this procedure.

- 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.

Results: No exceptions were found as a result of applying this procedure.

- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: No exceptions were found as a result of applying this procedure.

- 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

Results: The Organization's written policies and procedures did not address (2) the standard terms and conditions applicable in contracts, (3) legal review of the contracts, and (5) the process to monitor compliance with the contracts.

- 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)

Results: No exceptions were found as a result of applying this procedure.

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

Results: No exceptions were found as a result of applying this procedure.

- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Organization's ethics policy.

Results: No exceptions were found as a result of applying this procedure

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

Results: No exceptions were found as a result of applying this procedure.

- k. **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

Results: The Organization has identified personnel, processes and tools needed to recover operations after a critical event, but does not have any other written policies and procedures for Disaster Recovery/Business Continuity.

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.

Results: No exceptions were found as a result of applying the procedure.

- b. Observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the Organization's collections during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

- 3. Obtain a listing of the Organization's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the

Organization's main operating account. Select the Organization'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 selected each 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, electronically logged);

Results: Bank reconciliations do not include evidence that they were prepared within 2 months of the statements.

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

Results: There is no formal review process on any of the bank reconciliations

- 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 were found as a result of applying the procedure.

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

4. 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).

Results: No exceptions were found as a result of applying the procedure.

5. For each location selected under #4 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.

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

- 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.

Results: No exceptions were found as a result of applying the procedure.

- 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.

Results: No exceptions were found as a result of applying the procedure.

- 6. For each location selected under #4 above, obtain the Organization'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 invoice/billing statement.

Results: No exceptions were found as a result of applying the procedure.

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

Results: No exceptions were found as a result of applying the procedure.

Other

- 7. 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 Organization report the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Organization is domiciled.

Results: No misappropriations noted as a result of applying the above procedure.

- 8. Observe that the Organization 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.

Results: No exceptions were found as a result of applying the above procedure.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

Cam, Riggs & Ingram, L.L.C.

January 2, 2020