

THE ARC OF ACADIANA, INC.

Audits of Consolidated Financial Statements

June 30, 2017 and 2016



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Independent Auditor's Report

To the Board of Directors
The Arc of Acadiana, Inc.
New Iberia, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Arc of Acadiana, Inc. and its subsidiaries which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 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 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 The Arc of Acadiana, Inc. and its subsidiaries as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 audits 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 November 3, 2017 on our consideration of The Arc of Acadiana, 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 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 Arc of Acadiana, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
November 3, 2017

THE ARC OF ACADIANA, INC.
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 9,302,860	\$ 11,694,577
Investments	11,323,448	4,930,010
Receivables	67,060	158,774
Due from Other Agencies, Net	2,484,304	2,780,853
Inventory	-	5,761
Prepaid Expenses	106,296	265,751
Other Current Assets	26,922	48,905
	<hr/>	<hr/>
Total Current Assets	23,310,890	19,884,631
Fixed Assets		
Property and Equipment, Net	9,986,488	10,330,135
Equipment Under Capital Lease, Net	59,612	149,230
	<hr/>	<hr/>
Total Fixed Assets	10,046,100	10,479,365
Other Assets		
Deposits Held for Others	357,306	549,709
Other Assets	13,031	12,791
	<hr/>	<hr/>
Total Other Assets	370,337	562,500
	<hr/>	<hr/>
Total Assets	\$ 33,727,327	\$ 30,926,496

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

THE ARC OF ACADIANA, INC.
Consolidated Statements of Financial Position (Continued)
June 30, 2017 and 2016

	2017	2016
Liabilities and Net Assets		
Current Liabilities Payable from Current Assets		
Accounts Payable	\$ 444,911	\$ 438,862
Accrued Liabilities	832,655	1,265,268
Accrued Compensated Absences	343,052	347,362
	<hr/>	
Total Current Liabilities Payable from Current Assets	1,620,618	2,051,492
	<hr/>	
Current Liabilities Payable from Restricted Assets		
Current Portion of Capital Lease Obligations	59,130	100,411
	<hr/>	
Total Current Liabilities	1,679,748	2,151,903
	<hr/>	
Other Liabilities		
Capital Lease Obligations, Less Current Portion	9,650	74,423
Deposits Held for Others	357,306	549,709
	<hr/>	
Total Other Liabilities	366,956	624,132
	<hr/>	
Total Liabilities	2,046,704	2,776,035
	<hr/>	
Net Assets		
Unrestricted	31,121,202	27,470,725
Temporarily Restricted	559,421	679,736
	<hr/>	
Total Net Assets	31,680,623	28,150,461
	<hr/>	
Total Liabilities and Net Assets	\$ 33,727,327	\$ 30,926,496
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The accompanying notes are an integral part of these consolidated financial statements.

THE ARC OF ACADIANA, INC.
Consolidated Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Program Revenue	\$ 27,129,998	\$ -	\$ 27,129,998
Medical Services	19,149	-	19,149
Contributions	599,015	93,361	692,376
Miscellaneous Revenue	376,407	-	376,407
Investment Income, Net	129,854	-	129,854
Membership Revenue	13,608	-	13,608
Loss on Sale of Assets	(4,522)	-	(4,522)
	<u>28,263,509</u>	<u>93,361</u>	<u>28,356,870</u>
Net Assets Released from Restrictions			
Expiration of Time Restrictions	<u>213,676</u>	<u>(213,676)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>28,477,185</u>	<u>(120,315)</u>	<u>28,356,870</u>
Expenses			
Program Expenses			
Employment Services	5,139,246	-	5,139,246
Community Services	7,113,597	-	7,113,597
Residential Services	10,468,580	-	10,468,580
General and Administrative Expenses	<u>2,105,285</u>	<u>-</u>	<u>2,105,285</u>
Total Expenses	<u>24,826,708</u>	<u>-</u>	<u>24,826,708</u>
Change in Net Assets	3,650,477	(120,315)	3,530,162
Net Assets, Beginning of Year	<u>27,470,725</u>	<u>679,736</u>	<u>28,150,461</u>
Net Assets, End of Year	<u>\$ 31,121,202</u>	<u>\$ 559,421</u>	<u>\$ 31,680,623</u>

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

THE ARC OF ACADIANA, INC.
Consolidated Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Program Revenue	\$ 31,987,195	\$ -	\$ 31,987,195
Medical Services	145,940	-	145,940
Contributions	643,726	382,289	1,026,015
Miscellaneous Revenue	100,737	-	100,737
Investment Income, Net	33,342	-	33,342
Membership Revenue	16,461	-	16,461
Gain on Sale of Assets	67,269	-	67,269
Impairment of Intangible Assets	(67,025)	-	(67,025)
	<u>32,927,645</u>	<u>382,289</u>	<u>33,309,934</u>
Net Assets Released from Restrictions			
Expiration of Time Restrictions	266,822	(266,822)	-
	<u>33,194,467</u>	<u>115,467</u>	<u>33,309,934</u>
Expenses			
Program Expenses			
Employment Services	6,089,188	-	6,089,188
Community Services	6,917,315	-	6,917,315
Residential Services	13,051,244	-	13,051,244
Medical and Counseling Services	16,446	-	16,446
General and Administrative Expenses	2,225,723	-	2,225,723
	<u>28,299,916</u>	<u>-</u>	<u>28,299,916</u>
Change in Net Assets	4,894,551	115,467	5,010,018
Net Assets, Beginning of Year	<u>22,576,174</u>	<u>564,269</u>	<u>23,140,443</u>
Net Assets, End of Year	<u>\$ 27,470,725</u>	<u>\$ 679,736</u>	<u>\$ 28,150,461</u>

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

THE ARC OF ACADIANA, INC.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 3,530,162	\$ 5,010,018
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	855,919	980,337
Realized and Unrealized (Gain) Loss on Investments, Net	(30,329)	7,686
Loss (Gain) on Sale of Fixed Assets	4,522	(67,269)
Donated Fixed Assets	(93,361)	(382,289)
Decrease (Increase) in Assets		
Receivables	91,714	14,400
Due from Other Agencies	296,549	410,347
Inventory and Prepaid Expenses	165,216	97,778
Other Current Assets	21,983	53,670
Deposits Held for Others and Other Assets	192,163	(207,617)
Increase (Decrease) in Liabilities		
Accounts Payable	6,049	(189,619)
Accrued Liabilities	(432,613)	(149,408)
Accrued Compensated Absences	(4,310)	5,783
Deposits Held for Others	(192,403)	207,027
Net Cash Provided by Operating Activities	4,411,261	5,790,844
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(336,971)	(906,615)
Proceeds from Sale of Fixed Assets	3,156	335,116
Purchase of Investments	(11,987,750)	(3,898,729)
Proceeds from Sale of Investments	5,624,641	117,539
Net Cash Used in Investing Activities	(6,696,924)	(4,352,689)
Cash Flows from Financing Activities		
Principal Payments Under Capital Lease Obligations	(106,054)	(110,297)
Net Cash Used in Financing Activities	(106,054)	(110,297)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,391,717)	1,327,858
Cash and Cash Equivalents, Beginning of Year	11,694,577	10,366,719
Cash and Cash Equivalents, End of Year	\$ 9,302,860	\$ 11,694,577

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

THE ARC OF ACADIANA, INC.
Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash and Cash Equivalents Shown on Statements of		
Financial Position as:		
Current Assets - Cash and Cash Equivalents	<u>\$ 9,302,860</u>	<u>\$ 11,694,577</u>
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	<u>\$ 20,771</u>	<u>\$ 35,993</u>
Non-Cash Transactions		
Donated Fixed Assets	<u>\$ 93,361</u>	<u>\$ 382,289</u>

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

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

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

Nature of Organization

The accompanying consolidated financial statements include the accounts of The Arc of Acadiana, Inc. (Arc), a Louisiana nonprofit corporation originally chartered in August 1954, Lafayette Family Healthcare, Inc. (LFH), a nonprofit corporation, incorporated in August 2013, and Opelousas Family Healthcare, Inc. (OFH), a nonprofit corporation, incorporated in June 2015, collectively referred to as "the Entities". During 2017 LFH and OFH closed, wherein all of OFH's assets were moved to LFH. Arc's purpose is to promote the general welfare of developmentally disabled physically handicapped and incapacitated citizens in the Acadiana area and to aid their parents and families. LFH and OFH offered medical and counseling services to Arc clients, as well as the general public. The following is a description of the various programs:

Employment Services

Employment Services is a day program for citizens of the community who are developmentally disabled. The day program operates in New Iberia, Lafayette, Iota, and Opelousas, Louisiana. Employment Services also operates several used clothing stores with locations in New Iberia, Lafayette, Eunice, and Opelousas, Louisiana. Sales from these stores account for approximately 3% of program revenue for each of the years ended June 30, 2017 and 2016.

Community Services

The programs listed below are consolidated into one program. These programs operate in New Iberia, Lafayette, Crowley, and Opelousas, Louisiana.

Independent Living - Arc supervises adults who are developmentally disabled that live in their own home or apartment.

Personal Care Assistance (PCA) and Individual Family Support (IFS) - The PCA and IFS programs provide the services to the Independent Living program on more of a "one-on-one" basis. These programs are administered completely out of the clients' homes.

Residential Services

Residential Services provides homes in the Lafayette, New Iberia, Iota, and Bossier City, Louisiana areas for adults who are developmentally disabled.

Medical and Counseling Services

LFH and OFH provide standard medical services as well as mental health services to Arc clients as well as the general public.

Operating Fund

The operating fund is used to account for all general and administrative expenses of the Entities.

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Arc of Acadiana, Inc. and its wholly owned subsidiaries, Lafayette Family Healthcare, Inc. and Opelousas Family Healthcare, Inc. All material intercompany accounts and transactions have been eliminated.

Basis of Accounting

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

Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. There were no permanently restricted net assets as of June 30, 2017 and 2016.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the consolidated statements of activities as net assets released from restrictions. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Entities consider all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Investments

Investments in certificates of deposit are presented in the consolidated financial statements at cost which approximates fair market value. Investments in marketable securities with readily determinable fair values, investments in debt securities, and investments in real estate are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities. Gains, losses, and investment income are accounted for as unrestricted, temporarily restricted or permanently restricted based on restrictions, if any, imposed by donors.

Inventory

Inventory is stated at cost. Cost is determined using the average cost method.

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

Allowance for Doubtful Accounts

Arc considers amounts due from other agencies to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. The allowance for doubtful accounts for LFH was \$-0- and \$22,533, as of June 30, 2017 and 2016, respectively. The allowance for doubtful accounts for OFH was \$-0- and \$42,056, as of June 30, 2017 and 2016, respectively.

Donated Services

The Entities receive donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the consolidated statements of activities because the criteria for recognition have not been satisfied.

Property and Equipment

Purchased property and equipment in excess of \$5,000 is capitalized and recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Entities have adopted a policy of implying a time restriction on contributions of such assets which expire over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

Depreciation and amortization is computed by the straight-line method at rates based on the following estimated useful lives:

Furniture and Equipment	5 - 20 Years
Building and Improvements	8 - 30 Years
Transportation Equipment	3 - 5 Years

Interest on debt issued to finance the renovations to the Walton Street building and Redwood Street administrative building have been capitalized as part of the projects.

Impairment of Long-Lived Assets

The Entities review long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is present when the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. During the years ended June 30, 2017 and 2016 there were no impairment losses recognized for long-lived assets.

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

Compensated Absences

Employees of the Entities earn annual leave per month depending on years of service at a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours.

Upon resignation or termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours.

Non-Direct Response Advertising

The Entities expense advertising costs as incurred. Advertising expense charged to operations totaled \$84,162 and \$77,924, for the years ended June 30, 2017 and 2016, respectively.

Income Taxes

Arc qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. LFH and OFH are exempt from income taxes under Arc's Internal Revenue Service group exemption letter. Therefore, no provision for income taxes is made in the accompanying consolidated 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. The Entities believe that they have appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the consolidated 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 the consolidated 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.

Fair Value of Financial Instruments

Investments in equity securities with readily determinable fair values, investments in debt securities, and investments in real estate are measured at fair value in the consolidated statements of financial position.

The Entities follow the *Fair Value Measurement* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this Topic, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Fair Value of Financial Instruments (Continued)

This Topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

Investments whose values are based on quoted market prices in active markets, and are therefore classified as Level 1, include but are not limited to actively traded equities and certain money market securities.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, less liquid listed equities, state, municipal and principal obligations, and most physical commodities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 4).

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

Insurance Programs

Arc purchases workers' compensation insurance coverage with a large deductible/self-insured retention limit. Arc records a liability for claims when the claim is known, the amount of the claim can be estimated, and the loss is probable. Historical experience indicates some degree of inherent variability in assessing the ultimate amount of losses for such claims. Arc continually evaluates loss estimates associated with these insurance claims. Assumptions used in preparing estimates are based on factors such as claim settlement patterns, prior claim history, expert valuations, and other factors. Arc uses a "best estimate" to project ultimate claim loss.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which amends the existing requirements for the financial statements and notes of not-for-profit entities (NFP). This update is the first phase of the FASB's two phase project. Entities are required to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a NFP will report amounts for *net assets without donor restrictions*, as well as the currently required amount for total net assets. There are additional enhanced disclosure requirements included in this update. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. However, if presenting comparative financial statements, an NFP has the option to omit certain information for any periods presented before the period of adoption.

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 annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of ASU 2014-09 on its financial statements.

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

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

Recent Accounting Pronouncements (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 finance or operating. A lessee should recognize in the statement of financial position 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. Management is currently evaluating the impact of adopting ASU 2016-02 on its financial statements.

Note 2. Due from Other Agencies, Net

Due from other agencies, net at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Due from Medicaid, Net	\$ 2,395,389	\$ 2,559,477
Due from Other Facilities	80,840	198,666
Due from O.C.D.D.	4,734	14,615
Due from Louisiana Rehabilitation Services	3,341	8,095
Total	\$ 2,484,304	\$ 2,780,853

Note 3. Investments

As more fully described in Note 1, investments are presented in the consolidated financial statements at fair value and are composed of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Cash - Money Market and Certificate of Deposit	\$ 10,436,754	\$ 4,321,296
Equity Securities	598,086	410,985
Debt Securities	288,608	197,729
Total	\$ 11,323,448	\$ 4,930,010

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

Note 3. Investments (Continued)

Investment income, net is composed of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Dividends and Interest	\$ 102,894	\$ 44,261
Realized Gain	9,623	281
Unrealized Gain (Loss)	20,706	(7,967)
Investment Fees	(3,369)	(3,233)
Total	\$ 129,854	\$ 33,342

Note 4. Fair Value Measurements

The Entities' assets recorded at fair value have been categorized based upon a fair value hierarchy with the *Fair Value Measurement* Topic of the FASB ASC. See Note 1 for a description of the Entities' policies and valuation techniques.

The valuation of the Entities' assets measured at fair value on a recurring basis at June 30, 2017 and 2016, is as follows:

June 30, 2017	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	\$ 8,454,314	\$ 1,982,440	\$ -	\$10,436,754
Corporate Fixed Income	143,145	-	-	143,145
Corporate Stock and ETFs	486,193	-	-	486,193
Open End Mutual Funds	111,893	-	-	111,893
U.S. Government Obligations	145,463	-	-	145,463
Total	\$ 9,341,008	\$ 1,982,440	\$ -	\$ 11,323,448
June 30, 2016	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	\$ 4,321,296	\$ -	\$ -	\$ 4,321,296
Corporate Fixed Income	44,429	-	-	44,429
Corporate Stock and ETFs	152,056	-	-	152,056
Corporate Trusts	106,014	-	-	106,014
Open End Mutual Funds	258,929	-	-	258,929
U.S. Government Obligations	47,286	-	-	47,286
Total	\$ 4,930,010	\$ -	\$ -	\$ 4,930,010

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

Note 5. Property and Equipment, Net

Property and equipment, net at June 30, 2017 and 2016, consisted of the following:

June 30, 2017	Purchased		Total
	Assets Historical Cost	Donated Value	
Land	\$ 1,366,652	\$ 20,800	\$ 1,387,452
Building and Improvements	9,951,358	196,376	10,147,734
Furniture and Equipment	1,332,758	42,300	1,375,058
Vehicles	1,309,311	2,154,303	3,463,614
Construction in Progress	17,250	-	17,250
	<u>13,977,329</u>	<u>2,413,779</u>	<u>16,391,108</u>
Less: Accumulated Depreciation	<u>(4,715,950)</u>	<u>(1,688,670)</u>	<u>(6,404,620)</u>
Net Property and Equipment	\$ 9,261,379	\$ 725,109	\$ 9,986,488

June 30, 2016	Purchased		Total
	Assets Historical Cost	Donated Value	
Land	\$ 1,355,152	\$ 20,800	\$ 1,375,952
Building and Improvements	9,718,404	196,376	9,914,780
Furniture and Equipment	1,290,582	42,300	1,332,882
Vehicles	1,425,504	2,116,898	3,542,402
Construction in Progress	17,250	-	17,250
	<u>13,806,892</u>	<u>2,376,374</u>	<u>16,183,266</u>
Less: Accumulated Depreciation	<u>(4,431,283)</u>	<u>(1,421,848)</u>	<u>(5,853,131)</u>
Net Property and Equipment	\$ 9,375,609	\$ 954,526	\$ 10,330,135

Total depreciation expense for the years ended June 30, 2017 and 2016 was \$766,327 and \$881,281, respectively, of which \$213,676 and \$266,822, respectively, was related to donated assets.

Note 6. Capital Leases

The Entities lease certain equipment used in its operations under agreements that are classified as capital leases. The carrying amount of such equipment approximates the lesser of the present value of the associated minimum lease payments or the fair market value at the start of the lease. All of the equipment leases expire over the next two years. The lease obligations are secured by the leased equipment.

In most circumstances, management expects that these leases will not be renewed or replaced by other leases.

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

Note 6. Capital Leases (Continued)

The following is an analysis of the leased equipment under capital leases by major class as of June 30, 2017 and 2016:

	2017	2016
Equipment Under Capital Lease:		
Furniture and Equipment	\$ 437,898	\$ 453,831
	<u>437,898</u>	<u>453,831</u>
Less: Accumulated Amortization	<u>(378,286)</u>	<u>(304,601)</u>
Net Equipment Under Capital Lease	<u>\$ 59,612</u>	<u>\$ 149,230</u>

Amortization expense related to capital lease obligations was \$89,592 and \$99,056, for years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments and the present value of the minimum lease payments under all of the capital lease obligations discussed above are as follows as of June 30, 2017:

Year Ending June 30:	Amount
2018	\$ 64,532
2019	<u>8,626</u>
Total Minimum Lease Payments	73,158
Less: Amount Representing Interest (a)	<u>(4,378)</u>
Present Value of Minimum Lease Payments	68,780
Less: Current Maturities of Capital Lease Obligations	<u>(59,130)</u>
Long-Term Capital Lease Obligations	<u>\$ 9,650</u>

(a) Amount necessary to reduce net minimum lease payments to present value calculated at the Entities' incremental borrowing rate at lease inception.

Interest expense under capital lease obligations was \$20,771 and \$35,089, for years ended June 30, 2017 and 2016, respectively.

Note 7. Operating Leases

The Entities lease facilities and equipment under operating leases, some of which include renewal options. Rental expenses under long-term operating leases of property and equipment for the years ended June 30, 2017 and 2016, was \$97,545 and \$110,025, respectively.

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

Note 7. Operating Leases (Continued)

Future minimum lease commitments as of June 30, 2017, are payable as follows:

Years	Amount
2018	\$ 53,243
2019	46,800
2020	25,550
Total	\$ 125,593

Note 8. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 2017 and 2016:

June 30, 2017	Total	Program		
		Employment Services	Community Services	Residential Services
Medicaid	\$ 24,587,846	\$ 2,859,939	\$ 8,018,115	\$ 13,709,792
Office of Citizens with Developmental Disabilities	64,885	33,495	31,390	-
Louisiana Rehab Services	6,600	6,600	-	-
Sales	898,505	897,144	-	1,361
Client Billings	1,091,202	39,242	117,232	934,728
Other Residential Facilities	480,960	480,960	-	-
Total Program Revenue	\$ 27,129,998	\$ 4,317,380	\$ 8,166,737	\$ 14,645,881

June 30, 2016	Total	Program		
		Employment Services	Community Services	Residential Services
Medicaid	\$ 29,027,620	\$ 2,731,746	\$ 7,682,173	\$ 18,613,701
Office of Citizens with Developmental Disabilities	92,533	48,475	44,058	-
Louisiana Rehab Services	26,626	26,626	-	-
Sales	958,242	958,242	-	-
Client Billings	1,407,155	30,352	106,307	1,270,496
Other Residential Facilities	475,019	475,019	-	-
Total Program Revenue	\$ 31,987,195	\$ 4,270,460	\$ 7,832,538	\$ 19,884,197

THE ARC OF ACADIANA, INC.

Notes to Consolidated Financial Statements

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2017 and 2016:

	2017	2016
Remaining Net Book Value of Contributed Property and Equipment		
Employment Services Program	<u>\$ 559,421</u>	<u>\$ 679,736</u>

Note 10. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the expiration of time for the years ended June 30th:

	2017	2016
Time Restriction Expired		
Expired Portion of Net Book Value of Contributed Property and Equipment	<u>\$ 213,676</u>	<u>\$ 266,822</u>

Note 11. Fiduciary Funds

Arc acts as a fiduciary agent for several of its resident clients. The balance of the checking accounts maintained by Arc totaled \$227,559 and \$413,973, for the years ending June 30, 2017 and 2016, respectively.

The Community Services Program, through its Independent Living Program, also acts as fiduciary agent for several of its clients. Checking accounts are maintained for each client, as applicable. Deposits include the client's social security benefits, their payroll checks, if employed, and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual client's needs. The balance in these checking accounts at June 30, 2017 and 2016, was \$129,747 and \$135,736, respectively.

Note 12. Retirement Plan

Arc offers a 401(k) retirement plan to all employees who have met the eligibility requirement of 1 year of service. Participants may elect to contribute portions of their eligible compensation, up to the maximum allowed by law. Arc contributes a basic matching contribution equal to the sum of 100% of the amount of the participant's salary deferral (including catch-up contributions), up to 3% of the participant's eligible compensation, plus 50% of the amount of the participant's salary deferral between 3% and 5% of the participant's eligible compensation. Alternatively, Arc may choose to make an enhanced matching contribution equal to the sum of 100% of the participant's salary deferral (including catch-up contributions), up to 4% of the participant's eligible compensation, or a non-elective contribution equal to 3% of the participant's eligible compensation. Participants become fully vested in employer matching contributions after 6 years of service. Arc's matching contributions for the years ended June 30, 2017 and 2016, were \$170,364 and \$141,016, respectively.

Note 13. Concentration of Credit Risk

The Entities periodically maintain cash and time deposit balances in excess of Federal Deposit Insurance Corporation coverage at its banks. A large majority of funds held on deposit by the Entities are transferred each night to a repurchase account and collateralized with direct U.S. Government obligations, U.S. Government Agency obligations, or collateralized mortgage obligations.

The Entities also receive a considerable amount of its total support and revenues from Medicaid for payments for services provided to clients. During the years ended June 30, 2017 and 2016, the Entities received \$24,587,846 and \$29,027,620, respectively, from Medicaid, which was 87% of total revenues for both years.

Note 14. Pending Litigation

The Entities are a part to various legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance and, if not so covered, are without merit or are of such kind, or involve such amounts as would not have a significant effect on the financial position or results of operations of the Entities if disposed of unfavorably.

Note 15. Related Party Transactions

As of June 30, 2017 and 2016, the Entities held investments with a company managed by a member of their Board of Directors.

Certain management employees of Arc also spend part of their time working for LFH. As such, these salaries are allocated to LFH. During the years ended June 30, 2017 and 2016, total salaries of \$6,043 and \$87,066, respectively, was allocated to LFH as salaries and wages. These amounts have been eliminated in the accompanying consolidated financial statements (balance is \$-0- as of June 30, 2017).

As of June 30, 2016, a total of \$100,000 was owed by LFH to Arc. The purpose of the funding was to support the operations of LFH. During the year ended June 30, 2017, the balance owed of \$80,852 was written off as uncollectable. During the year ended June 30, 2016, the amount was eliminated in the accompanying consolidated financial statements.

During the years ended June 30, 2017 and 2016, LFH paid rent for office space at \$2,000 a month to Arc, totaling \$6,000 and \$24,000, respectively. No formal rent agreement is in place. The agreement was terminated as of September 30, 2016. These amounts have been eliminated in the accompanying consolidated financial statements.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, which was November 3, 2017, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

THE ARC OF ACADIANA, INC.
Consolidating Statement of Financial Position
June 30, 2017

Schedule I

	The Arc of Acadiana, Inc.	Lafayette Family Healthcare, Inc.	Opelousas Family Healthcare, Inc.	Eliminations	Consolidated
Current Assets					
Cash and Cash Equivalents	\$ 9,221,508	\$ 81,352	\$ -	\$ -	\$ 9,302,860
Investments	11,323,448	-	-	-	11,323,448
Receivables	67,060	-	-	-	67,060
Due from Other Agencies, Net	2,484,304	-	-	-	2,484,304
Prepaid Expenses	106,296	-	-	-	106,296
Other Current Assets	26,922	-	-	-	26,922
Total Current Assets	23,229,538	81,352	-	-	23,310,890
Fixed Assets					
Property and Equipment, Net	9,986,488	-	-	-	9,986,488
Equipment Under Capital Lease, Net	59,612	-	-	-	59,612
Total Fixed Assets	10,046,100	-	-	-	10,046,100
Other Assets					
Investment in Subsidiaries	81,352	-	-	(81,352)	-
Deposits Held for Others	357,306	-	-	-	357,306
Other Assets	13,031	-	-	-	13,031
Total Other Assets	451,689	-	-	(81,352)	370,337
Total Assets	\$ 33,727,327	\$ 81,352	\$ -	\$ (81,352)	\$ 33,727,327

See independent auditor's report.

THE ARC OF ACADIANA, INC.
Consolidating Statement of Financial Position (Continued)
June 30, 2017

Schedule I

	The Arc of Acadiana, Inc.	Lafayette Family Healthcare, Inc.	Opelousas Family Healthcare, Inc.	Eliminations	Consolidated
Current Liabilities Payable from Current Assets					
Accounts Payable	\$ 444,911	\$ -	\$ -	\$ -	\$ 444,911
Accrued Liabilities	832,655	-	-	-	832,655
Accrued Compensated Absences	343,052	-	-	-	343,052
Total Current Liabilities Payable from Current Assets	1,620,618	-	-	-	1,620,618
Current Liabilities Payable from Restricted Assets					
Current Portion of Capital Lease Obligations	59,130	-	-	-	59,130
Total Current Liabilities	1,679,748	-	-	-	1,679,748
Other Liabilities					
Capital Lease Obligations, Less Current Portion	9,650	-	-	-	9,650
Deposits Held for Others	357,306	-	-	-	357,306
Total Other Liabilities	366,956	-	-	-	366,956
Total Liabilities	2,046,704	-	-	-	2,046,704
Net Assets					
Unrestricted	31,121,202	81,352	-	(81,352)	31,121,202
Temporarily Restricted	559,421	-	-	-	559,421
Total Net Assets	31,680,623	81,352	-	(81,352)	31,680,623
Total Liabilities and Net Assets	\$ 33,727,327	\$ 81,352	\$ -	\$ (81,352)	\$ 33,727,327

See independent auditor's report.

THE ARC OF ACADIANA, INC.
Consolidating Statement of Activities
For the Year Ended June 30, 2017

Schedule II

	The Arc of Acadiana, Inc.	Lafayette Family Healthcare, Inc.	Opelousas Family Healthcare, Inc.	Eliminations	Consolidated
Revenues, Gains, Losses, and Other Support					
Program Revenue	\$27,129,998	\$ -	\$ -	\$ -	\$ 27,129,998
Medical Services	-	19,149	-	-	19,149
Contributions	599,015	-	-	-	599,015
Miscellaneous Revenue	376,407	-	-	-	376,407
Investment Income, Net	129,854	-	-	-	129,854
Membership Revenue	13,608	-	-	-	13,608
Gain on Sale of Assets	17,391	(21,913)	-	-	(4,522)
Revenue from Related Party	44,758	-	-	(44,758)	-
Writeoff of Related Party Receivable/Payable	(80,852)	154,729	-	(73,877)	-
Loss from Subsidiary	(79,497)	-	-	79,497	-
Total Unrestricted Revenues, Gains, Losses, and Other Support	28,150,682	151,965	-	(39,138)	28,263,509
Net Assets Released from Restrictions					
Expiration of Time Restrictions	213,676	-	-	-	213,676
Total Unrestricted Revenues, Gains, Losses, and Other Support	28,364,358	151,965	-	(39,138)	28,477,185
Expenses					
Program Expenses					
Employment Services	5,139,246	-	-	-	5,139,246
Community Services	7,113,597	-	-	-	7,113,597
Residential Services	10,468,580	-	-	-	10,468,580
Medical and Counseling Services	-	38,707	-	(38,707)	-
General and Administrative Expenses	2,092,458	18,878	73,877	(79,928)	2,105,285
Total Expenses	24,813,881	57,585	73,877	(118,635)	24,826,708
Change in Unrestricted Net Assets	3,550,477	94,380	(73,877)	79,497	3,650,477
Contributions	93,361	-	-	-	93,361
Net Assets Released from Restriction	(213,676)	-	-	-	(213,676)
Change in Temporarily Restricted Net Assets	(120,315)	-	-	-	(120,315)
Change in Net Assets	3,430,162	94,380	(73,877)	79,497	3,530,162
Net Assets (Deficit), Beginning of Year	28,250,461	(13,028)	73,877	(160,849)	28,150,461
Net Assets, End of Year	\$31,680,623	\$ 81,352	\$ -	\$ (81,352)	\$ 31,680,623

See independent auditor's report.

THE ARC OF ACADIANA, INC.
Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2017

Schedule III

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 statement of local government and quasi-public auditees. In 2016, Act 462 of the 2016 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-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

Kenny Patton, Chief Executive Officer

Purpose	Compensation and Benefits Funded by Use of Public Funds
Salary	\$245,571
Benefits - Insurance	\$2,400
Benefits - Retirement	\$9,823
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$784
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$50
Conference Travel	\$179
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$721

See independent auditor's report.

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

Independent Auditor's Report

To the Board of Directors
The Arc of Acadiana, Inc.
New Iberia, 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 Acadiana, Inc., which comprise the consolidated statement of financial position as of June 30, 2017, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Arc of Acadiana, 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc of Acadiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc of Acadiana, 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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc of Acadiana, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
November 3, 2017

THE ARC OF ACADIANA, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None |
| b. Significant deficiencies identified? | None Reported |
| c. Noncompliance material to the financial statements noted? | None |

Federal Awards - Not applicable

Part II - Financial Statement Findings

None.

THE ARC OF ACADIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

None.