

ARC OF OUACHITA (dba ARCO)
Monroe, Louisiana

Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

ARC OF OUACHITA (dba ARCO)
Monroe, Louisiana

Financial Statements
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INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
ARC of Ouachita (dba ARCO)
Monroe, Louisiana**

We have audited the accompanying financial statements of the **ARC of Ouachita (dba ARCO)** (a non-profit organization, the Arc), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**The Board of Directors
ARC of Ouachita (dba ARCO)
Monroe, Louisiana**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arc 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1, 2, and 3 as listed in the Table of Contents under supplemental information are presented for purposes of additional analysis and are 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 January 6, 2020, on our consideration of the Arc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arc's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arc's internal control over financial reporting and compliance.

Woodland & Associates

**(A Professional Accounting Corporation)
January 6, 2020**

FINANCIAL STATEMENTS

ARC OF OUACHITA (dba ARCO)
 Monroe, Louisiana

Statements of Financial Position

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash	\$ 459,648	\$ -	\$ 459,648
Accounts receivable			
Intergovernmental	283,280	-	283,280
Services	47,083	-	47,083
Contributions and grants	205	-	205
United Way	-	156,471	156,471
Other	325	-	325
Property and equipment	1,177,431	214,412	1,391,843
Accumulated depreciation	(674,343)	(80,220)	(754,563)
Prepaid expenses	5,452	-	5,452
Other deposits	24,449	-	24,449
Total assets	\$ 1,323,530	\$ 290,663	\$ 1,614,193
Liabilities and net assets			
Liabilities			
Accounts payable	\$ 39,138	\$ -	\$ 39,138
Accrued payroll and taxes	73,945	-	73,945
Deferred revenue	18,496	-	18,496
Notes payable	215,311	-	215,311
Total liabilities	346,890	-	346,890
Net Assets			
Without donor restrictions	976,640	-	976,640
With donor restrictions	-	290,663	290,663
Total net assets	976,640	290,663	1,267,303
Total liabilities and net assets	\$ 1,323,530	\$ 290,663	\$ 1,614,193

The accompanying notes are an integral part of these statements.

June 30, 2018

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 380,948	\$ -	\$ 380,948
278,434	-	278,434
55,657	-	55,657
-	-	-
83	150,900	150,983
23,893	-	23,893
1,085,295	157,485	1,242,780
(698,740)	(45,878)	(744,618)
3,763	-	3,763
23,968	-	23,968
<u>\$ 1,153,301</u>	<u>\$ 262,507</u>	<u>\$ 1,415,808</u>
\$ 47,562	\$ -	\$ 47,562
65,279	-	65,279
13,625	-	13,625
234,616	-	234,616
<u>361,082</u>	<u>-</u>	<u>361,082</u>
792,219	-	792,219
-	262,507	262,507
<u>792,219</u>	<u>262,507</u>	<u>1,054,726</u>
<u>\$ 1,153,301</u>	<u>\$ 262,507</u>	<u>\$ 1,415,808</u>

ARC OF OUACHITA (dba ARCO)
Monroe, Louisiana

Statements of Activities
For the Years Ended

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support			
Intergovernmental	\$ 3,119,638	\$ -	\$ 3,119,638
Charges for services	427,167	-	427,167
Contributions and grants	324,430	49,242	373,672
United Way allocation	-	171,421	171,421
Membership dues	70,606	-	70,606
Contributions and net revenue from Special events			
Contributions	14,953	-	14,953
Other revenues	36,683	-	36,683
Gain on sale of assets	-	-	-
Total	3,993,477	220,663	4,214,140
Net assets released from restrictions	192,507	(192,507)	-
Revenues, gains and other support	4,185,984	28,156	4,214,140
Expenses			
Program services			
Supported employment	525,410	-	525,410
Day habilitation	181,066	-	181,066
Supported work contracts	364,034	-	364,034
Supported living	1,894,436	-	1,894,436
Community home			
Mallard Home	233,365	-	233,365
Early Intervention	256,570	-	256,570
Total program services	3,454,881	-	3,454,881
Supporting services			
Management and general	472,446	-	472,446
Fundraising	74,236	-	74,236
Total supporting services	546,682	-	546,682
Total expenses	4,001,563	-	4,001,563
Increase (decrease) in net assets	184,421	28,156	212,577
Net assets at beginning of year	792,219	262,507	1,054,726
Net assets at end of year	\$ 976,640	\$ 290,663	\$ 1,267,303

The accompanying notes are an integral part of these statements.

June 30, 2018

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 3,052,665	\$ -	\$ 3,052,665
415,724	-	415,724
64,362	111,608	175,970
-	168,025	168,025
114,003	-	114,003
20,016	-	20,016
52,306	-	52,306
-	-	-
<u>3,719,076</u>	<u>279,633</u>	<u>3,998,709</u>
295,020	(295,020)	-
<u>4,014,096</u>	<u>(15,387)</u>	<u>3,998,709</u>
679,813	-	679,813
166,995	-	166,995
217,207	-	217,207
2,076,194	-	2,076,194
219,852	-	219,852
232,715	-	232,715
<u>3,592,776</u>	<u>-</u>	<u>3,592,776</u>
506,742	-	506,742
74,236	-	74,236
<u>580,978</u>	<u>-</u>	<u>580,978</u>
<u>4,173,754</u>	<u>-</u>	<u>4,173,754</u>
(159,658)	(15,387)	(175,045)
<u>951,877</u>	<u>277,894</u>	<u>1,229,771</u>
<u>\$ 792,219</u>	<u>\$ 262,507</u>	<u>\$ 1,054,726</u>

ARC OF OUACHITA (dba ARCO)

Monroe, Louisiana

Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program Services				
	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>	<u>Mallard Home</u>
Salaries	\$ 354,996	\$ 96,005	\$ 178,528	\$ 1,489,781	\$ 117,625
Payroll taxes	27,883	7,522	7,684	116,906	9,119
Pension	3,733	1,210	941	16,485	1,414
Total salaries and related expenses	<u>386,612</u>	<u>104,737</u>	<u>187,153</u>	<u>1,623,172</u>	<u>128,158</u>
Dues and subscriptions	910	151	1,228	285	52
Food	3,099	377	963	1,908	9,807
Insurance	38,027	16,124	27,617	83,159	15,193
Interest	-	-	10,381	-	-
Licenses and inspections	529	124	195	989	806
Maintenance	15,618	14,714	19,119	35,569	5,551
Medical	2,581	389	1,150	11,748	5,718
Miscellaneous	794	436	15,102	4,684	24,729
Office supplies and postage	2,545	322	1,003	4,842	419
Professional fees	2,165	710	3,067	5,480	5,443
Public awareness	1,517	1,066	3,953	3,039	143
Rent	11,083	2,256	24,979	18,793	2,261
Supplies	871	1,610	7,229	3,635	4,217
Telephone	8,592	3,169	7,006	27,072	3,014
Training	1,683	25	537	19,467	12,274
Transportation	13,530	6,874	6,419	2,793	1,652
Travel	3,959	246	380	36,766	63
Utilities	2,770	6,866	26,848	8,019	8,776
Total	<u>496,885</u>	<u>160,196</u>	<u>344,329</u>	<u>1,891,420</u>	<u>228,276</u>
Depreciation of buildings and equipment	<u>28,525</u>	<u>20,870</u>	<u>19,705</u>	<u>3,016</u>	<u>5,089</u>
Total functional expenses	<u>\$ 525,410</u>	<u>\$ 181,066</u>	<u>\$ 364,034</u>	<u>\$ 1,894,436</u>	<u>\$ 233,365</u>

The accompanying notes are an integral part of these statements.

Supporting Services

<u>Early Intervention</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 155,143	\$ 2,392,078	\$ 253,230	\$ 44,096	\$ 297,326	\$ 2,689,404
11,507	180,621	19,361	3,497	22,858	203,479
4,121	27,904	6,411	926	7,337	35,241
170,771	2,600,603	279,002	48,519	327,521	2,928,124
741	3,367	19,372	36	19,408	22,775
110	16,264	2,940	-	2,940	19,204
6,999	187,119	28,044	1,747	29,791	216,910
-	10,381	-	-	-	10,381
-	2,643	50	-	50	2,693
3,427	93,998	23,982	3,994	27,976	121,974
241	21,827	2,203	3	2,206	24,033
2	45,747	6,958	407	7,365	53,112
1,743	10,874	4,861	4,577	9,438	20,312
7,690	24,555	49,838	519	50,357	74,912
1,724	11,442	21,561	273	21,834	33,276
52,502	111,874	14,673	8,209	22,882	134,756
475	18,037	1,905	382	2,287	20,324
3,317	52,170	(762)	4,034	3,272	55,442
64	34,050	(631)	1,017	386	34,436
-	31,268	-	-	-	31,268
4,874	46,288	1,220	323	1,543	47,831
1,877	55,156	11,604	-	11,604	66,760
256,557	3,377,663	466,820	74,040	540,860	3,918,523
13	77,218	5,626	196	5,822	83,040
<u>\$ 256,570</u>	<u>\$ 3,454,881</u>	<u>\$ 472,446</u>	<u>\$ 74,236</u>	<u>\$ 546,682</u>	<u>\$ 4,001,563</u>

ARC OF OUACHITA (dba ARCO)
 Monroe, Louisiana

Statement of Functional Expenses
 For the Year Ended June 30, 2018

Program Services

	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>	<u>Mallard Home</u>
Salaries	\$ 456,661	\$ 96,166	\$ 73,109	\$ 1,619,442	\$ 109,096
Payroll taxes	35,850	7,771	403	126,874	8,542
Pension	4,495	775	-	18,483	1,468
Total salaries and related expenses	497,006	104,712	73,512	1,764,799	119,106
Dues and subscriptions	1,161	109	813	470	32
Food	657	185	221	2,325	10,160
Insurance	51,942	13,554	13,504	97,821	14,416
Interest	-	-	11,110	-	-
Licenses and inspections	586	25	57	439	865
Maintenance	26,192	10,346	12,036	39,099	4,005
Medical	1,529	608	1,373	16,797	3,912
Miscellaneous	3,979	953	15,992	17,744	23,292
Office supplies and postage	2,536	264	621	7,180	498
Professional fees	3,355	-	2,498	9,390	2,775
Public awareness	2,167	823	3,491	4,967	77
Rent	12,434	1,350	21,832	12,891	1,684
Supplies	1,143	2,482	10,420	2,463	5,736
Telephone	15,395	2,626	6,408	33,683	3,126
Training	3,600	67	138	7,173	14,237
Transportation	21,278	3,604	2,776	3,450	1,511
Travel	5,373	481	3	44,717	165
Utilities	3,900	6,856	25,646	7,275	8,790
Total	654,233	149,045	202,451	2,072,683	214,387
Depreciation of buildings and equipment	25,580	17,950	14,756	3,511	5,465
Total functional expenses	\$ <u>679,813</u>	\$ <u>166,995</u>	\$ <u>217,207</u>	\$ <u>2,076,194</u>	\$ <u>219,852</u>

The accompanying notes are an integral part of these statements.

Supporting Services

<u>Early Intervention</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 129,419	\$ 2,483,893	\$ 254,343	\$ 44,096	\$ 298,439	\$ 2,782,332
9,533	188,973	19,682	3,497	23,179	212,152
3,769	28,990	5,472	926	6,398	35,388
142,721	2,701,856	279,497	48,519	328,016	3,029,872
948	3,533	13,649	36	13,685	17,218
97	13,645	2,118	-	2,118	15,763
6,271	197,508	34,600	1,747	36,347	233,855
-	11,110	-	-	-	11,110
126	2,098	170	-	170	2,268
2,519	94,197	20,270	3,994	24,264	118,461
156	24,375	2,763	3	2,766	27,141
387	62,347	12,407	407	12,814	75,161
1,003	12,102	7,952	4,577	12,529	24,631
15,560	33,578	61,813	519	62,332	95,910
1,923	13,448	23,008	273	23,281	36,729
51,661	101,852	23,488	8,209	31,697	133,549
161	22,405	1,997	382	2,379	24,784
3,643	64,881	1,392	4,034	5,426	70,307
2,305	27,520	428	1,017	1,445	28,965
-	32,619	-	-	-	32,619
1,338	52,077	1,042	323	1,365	53,442
1,885	54,352	13,564	-	13,564	67,916
232,704	3,525,503	500,158	74,040	574,198	4,099,701
11	67,273	6,584	196	6,780	74,053
\$ 232,715	\$ 3,592,776	\$ 506,742	\$ 74,236	\$ 580,978	\$ 4,173,754

ARC OF OUACHITA (dba ARCO)
Monroe, Louisiana

Statements of Cash Flows

	For the Years Ended June 30,	
	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 212,577	\$ (175,045)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Non cash contribution of property and equipment	(187,928)	-
Depreciation	83,040	74,053
Gain on sale of property and equipment	(780)	-
Changes in assets and liabilities		
Accounts receivable	21,603	32,768
Other assets	(2,170)	905
Accounts payable and accrued expenses	242	(523)
Deferred revenue	4,871	-
Total Adjustments	(81,122)	107,203
Net cash provided (used) by operating activities	131,455	(67,842)
Cash flows from investing activities		
Purchases of property and equipment	(35,700)	(44,661)
Proceeds from sales of property and equipment	2,250	6,301
Net cash provided (used) by investing activities	(33,450)	(38,360)
Cash flows from financing activities		
Payments on notes payable	(19,305)	(18,576)
Net cash provided (used) by financing activities	(19,305)	(18,576)
Net increase (decrease) in cash	78,700	(124,778)
Cash at beginning of year	380,948	505,726
Cash at end of year	\$ 459,648	\$ 380,948
Supplemental disclosures		
Cash paid for interest	\$ 10,381	\$ 11,110
Non-cash investing & operating activities		
Revenue and expense of non-cash contribution	\$ 218,419	\$ 71,627

The accompanying notes are an integral part of these statements.

ARC OF OUACHITA (DBA ARCO)

Monroe, Louisiana

Notes to the Financial Statements

As of and for the Years Ended June 30, 2019 and 2018

INTRODUCTION

The ARC of Ouachita (dba ARCO) (the Arc) was established in 1954 to promote the general welfare of all persons with developmental disabilities within its service area which generally includes the Northeast portion of Louisiana. The programs are designed to assist and train clients to become independent citizens within the Arc's service area. The principal programs consist of vocational training, residential living and early intervention.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements have been prepared on an accrual basis in conformity with Generally Accepted Accounting Principles (GAAP) and are presented as recommended by the Financial Accounting Standards Board (FASB) in ASC 958-205, *Not For Profit Entities-Presentation of Financial Statements*.

The Arc has adopted the provisions of FASB's Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* which modifies the presentation of net assets on the basic financial statements. In accordance with FASB ASU 2016-14, net assets are presented in two classes – net assets without donor restrictions and net assets with donor restrictions. Presentation in a particular net asset class is based on the existence or absence of donor-imposed restrictions on the use of net assets. Accordingly, the net assets of the Arc and changes therein are classified and reported as follows:

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature. These restrictions will be satisfied by actions of the Arc or by the passage of time.

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 objectives of the Arc. These net assets may be used at the discretion of the Arc's management and Board of Directors.

B. CONTRIBUTIONS-CASH

In accordance with ASC 958-605, *Not For Profit Entities-Revenue Recognition*, contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the

ARC OF OUACHITA (DBA ARCO)
Monroe, Louisiana

Notes to the Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

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 that net assets class. When a qualifying expenditure occurs, or a time restriction expires, assets with donor restrictions are recognized in net assets without donor restrictions as “net assets released from restrictions” in the statement of activities. If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as without donor restrictions.

C. CONTRIBUTIONS-NONCASH

Members, agencies, businesses, volunteers and others contribute substantial services toward the fulfillment of projects initiated by the Arc. In addition, substantial goods are donated to the Arc’s store. No amounts have been recognized in the Statement of Activities for these contributions because the criteria for recognition under ASC 958-605 have not been satisfied. Other non-cash contributions of goods and services including rent have been recognized in the financial statements as revenue of the net assets without donor restrictions class unless explicit donor stipulations specify how the contributions must be used.

D. ACCOUNTS RECEIVABLE

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

E. ALLOCATION AND FUNCTIONAL EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Arc records its expenses in several ways: direct, indirect and central office overhead (COO). Direct costs are the total costs of direct support where staff is paid for only that program. Indirect costs are of two types. Level I indirect costs are salary expenses of an employee whose activities are shared between more than one program in the same department. Level II indirect costs are salary expenses shared between more than one department. COO expenses represent the Supporting Services costs.

ARC OF OUACHITA (DBA ARCO)

Monroe, Louisiana

Notes to the Financial Statements

As of and for the Years Ended June 30, 2019 and 2018

F. PROGRAMS

The Arc's principal programs and primary funding sources are:

Supported Employment – This income is derived primarily from the Louisiana Department of Health and Hospitals through two Medicaid Waivers, the NOW and the Supports Waiver. These funds are used to train clients in vocational and prevocational activities and supportive services. Also, some income is derived from the Louisiana Workforce Commission, Office of Louisiana Rehabilitative Services which specifically provides vocational training support to clients placed in jobs within the community.

Day Habilitation - provides meaningful non-workday activities to men and women and is funded by Medicaid's NOW and Supports Waivers as well.

Supported Work Contracts - Supported Work Contract's income is derived from cleaning and document destruction services by clients and the operations of the Sassy Kats clothing store.

Supported Living - Supported Living's primary income is derived from the Louisiana Department of Health and Hospitals Medicaid NOW Waiver. This home and community-based program helps the individual clients become more independent by providing support and training in their personal residences within the community. State funds for those without Medicaid Waivers are provided by the Office for Citizens with Developmental Disabilities, and some individuals are private pay.

Mallard Home – Mallard Home's income is derived from the Louisiana Department of Health and Hospitals Intermediate Care Facility for the Developmentally Disabled (ICF/DD) Medicaid Program. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens. Typically, clients in Mallard Home are trained also in the Supported Employment program.

Early Intervention - Early Intervention's income is derived from the Louisiana Department of Health and Hospitals, United Way, grants, non-profit agencies, and charges for therapeutic services (private insurance). This program provides training and therapeutic services to disabled infants, ages 0-3 years. Additionally, ARCO serves a few children over the age of 3 years through private health insurance or private pay.

ARC OF OUACHITA (DBA ARCO)

Monroe, Louisiana

Notes to the Financial Statements

As of and for the Years Ended June 30, 2019 and 2018

G. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. All donated property and equipment are recorded at fair market value on the date of the donation. The Arc capitalizes all property and equipment valued at \$1,000 or more and an estimated useful life of one year or more. Depreciation is computed on a straight-line basis over the useful lives of the property and equipment using the following estimated lives:

	<u>Years</u>
Buildings	15 - 30
Furniture and Equipment	3 - 10
Vehicles	5

H. COMPENSATED ABSENCES

The Arc's vacation policy provides for the carryover of vacation to the subsequent year under special circumstances, but that carryover is limited to a ceiling not to exceed 10 days. There was no vacation time to accrue for the years ended June 30, 2019 and 2018. Sick days may be accumulated to a maximum of 10 days; however, employees are not paid for any unused sick days upon termination and therefore an accrual for sick leave is not reflected in the financial statements.

I. TAX-EXEMPT STATUS

The Arc is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Arc are tax deductible within the limitations prescribed by the Code. The Arc is subject to income tax examinations by the IRS and the Louisiana Department of Revenue; however, there are currently no examinations in progress for any tax periods. The Arc is subject to income tax examinations for the years ended June 30, 2014 and after.

J. CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Arc considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

K. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

ARC OF OUACHITA (DBA ARCO)

Monroe, Louisiana

Notes to the Financial Statements

As of and for the Years Ended June 30, 2019 and 2018

affect the reported amounts of assets and liabilities and disclosure 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.

L. RECLASSIFICATIONS

Minor reclassifications have been made to the financial statements to make them comparable to the current year presentation.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 6, 2020, the date which the financial statements were available to be issued and determined that no events occurred that require disclosure.

Note 2 CASH

The Arc's (bank balance) at June 30, 2019, was \$470,837. All amounts were insured by the Federal Deposit Insurance Corporation (FDIC) due to no bank amounts exceeding \$250,000. The Arc has not experienced any losses due to unsecured cash balances and management does not believe it is exposed to significant risk.

Note 3 LIQUIDITY AND AVAILABILITY OF RESOURCES

At June 30, 2019, all of the Arc's \$459,648 cash balance was available for general expenditure needs. The Arc has no policy to invest cash in excess of daily requirements or structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

ARC OF OUACHITA (DBA ARCO)

Monroe, Louisiana

Notes to the Financial Statements

As of and for the Years Ended June 30, 2019 and 2018

Note 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30,	
	<u>2019</u>	<u>2018</u>
Buildings and Improvements	\$ 619,354	\$ 519,518
Furniture and Equipment	207,721	229,710
Vehicles	426,630	395,414
Land	138,138	98,138
Less: Accumulated Depreciation	<u>(754,563)</u>	<u>(744,618)</u>
Net Property and Equipment	<u>\$ 637,280</u>	<u>\$ 498,162</u>

Included in vehicles above are five vehicles that were acquired through Federal grants along with 20% matching funds from the Arc. The Arc retains the use of these vehicles as long as they are kept, maintained and used for the Arc's designated purpose. These vehicles are not to be sold or disposed of either during their useful life (5 years or 100,000 miles) or without the state's permission; therefore, these vehicles less the related accumulated depreciation are shown as donor restricted.

Note 5 NOTES PAYABLE

In January 2014, the Arc borrowed \$300,000 for the purchase and modification of a building for Shred operations. The Arc refinanced the loan balance of \$257,704 in January 2016. The loan bears interest at 4.5% and is payable in 60 monthly installments of \$2,034 with a balloon payment of \$186,148 due January 25, 2021. The loan is secured by real estate. The amortization for this debt is as follows:

Year Ended	
June 30,	Principal
2020	\$ 15,245
2021	195,768
Total	<u>\$ 211,015</u>

In April 2015, the Arc borrowed \$23,839 for the purchase of a vehicle for Supported Work Contracts. The loan bears interest at 3.99% and is payable in 60 monthly installments of \$439. The loan is secured by the vehicle. The amortization for this debt is as follows:

ARC OF OUACHITA (DBA ARCO)

Monroe, Louisiana

Notes to the Financial Statements

As of and for the Years Ended June 30, 2019 and 2018

Year Ended		
June 30,	Principal	
<u>2020</u>	\$	<u>4,298</u>

A letter of credit in the amount of \$100,000 was issued by Capital One Bank. It is secured by all funds on deposit with them and provides a variable simple interest rate to be adjusted monthly to one percent (1%) over the Wall Street Journal prime rate. There was no outstanding debt on this line of credit at June 30, 2019. The one-year line of credit is subject to automatic annual renewal in December of each year.

Note 6 DONOR RESTRICTED NET ASSETS

The following summarizes net assets that are donor restricted:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
Accounts Receivable - United Way	\$ 156,471	\$ 150,900
Vehicles - DOTD	214,412	157,485
Less: Accumulated Depreciation	<u>(80,220)</u>	<u>(45,878)</u>
Total	<u>\$ 290,663</u>	<u>\$ 262,507</u>

Note 7 DISCLOSURES ABOUT CONCENTRATIONS, COMMITMENTS AND CONTINGENCIES

The Arc receives the majority of its revenue based on contracts with various Federal and state agencies. These contracts are subject to review by the respective agencies which could result in disallowed costs. Additionally, funding levels are subject to review on a periodic basis by the grantor agencies, which could result in changes in funding levels.

Note 8 OPERATING LEASES

Total rent expense was \$134,756 and \$133,549 for the years ended June 30, 2019 and 2018, respectively. The Arc has several lease commitments. However, these leases are either on a month-to-month basis or contain "funding-out" clauses which allow the agreements to be cancelled.

ARC OF OUACHITA (DBA ARCO)
Monroe, Louisiana

Notes to the Financial Statements
As of and for the Years Ended June 30, 2019 and 2018

Note 9 TAX DEFERRED ANNUITY PLAN

The Arc offers its employees a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Arc. The Arc will match up to 3% of gross salaries of qualified employees who elect to participate in the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Arc contributed \$35,241 and \$35,388 on behalf of the participants for the years ended June 30, 2019 and 2018, respectively.

SUPPLEMENTAL INFORMATION

ARC OF OUACHITA (dba ARCO)
Monroe, Louisiana

Combining Schedule of Financial Position

June 30, 2019

Schedule 1

	General Fund	Supported Employment	Day Habilitation	Supported Work Contracts
Assets				
Cash	\$ 459,288	\$ -	\$ -	\$ 200
Accounts receivable				
Intergovernmental	-	29,414	18,737	-
Services	47	-	-	39,001
Contributions	-	-	-	-
United Way	-	12,900	-	-
Other	325	-	-	-
Due from other funds	619,691	-	-	-
Property and equipment	519,997	121,758	135,544	408,942
Accumulated depreciation	(320,379)	(89,561)	(39,534)	(118,296)
Prepaid expenses	3,409	-	-	1,834
Other deposits	23,179	-	-	1,043
Total assets	\$ 1,305,557	\$ 74,511	\$ 114,747	\$ 332,724
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 17,136	\$ 1,069	\$ 1,429	\$ 4,100
Due to other funds	-	66,641	111,517	101,637
Accrued payroll and taxes	21,118	6,801	1,801	2,410
Deferred revenue	-	-	-	9,266
Notes payable	-	-	-	215,311
Total liabilities	38,254	74,511	114,747	332,724
Net assets				
Without donor restrictions	976,640	-	-	-
With donor restrictions	290,663	-	-	-
Total net assets	1,267,303	-	-	-
Total liabilities and net assets	\$ 1,305,557	\$ 74,511	\$ 114,747	\$ 332,724

<u>Supported Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
\$ -	\$ 160	\$ -	\$ 459,648
214,221	15,132	5,776	283,280
2,662	5,373	-	47,083
-	-	205	205
-	-	143,571	156,471
-	-	-	325
-	-	-	619,691
80,821	118,488	6,293	1,391,843
(80,821)	(99,679)	(6,293)	(754,563)
-	209	-	5,452
<u>227</u>	<u>-</u>	<u>-</u>	<u>24,449</u>
<u>\$ 217,110</u>	<u>\$ 39,683</u>	<u>\$ 149,552</u>	<u>\$ 2,233,884</u>

\$ 6,990	\$ 7,126	\$ 1,288	\$ 39,138
170,906	29,808	139,182	619,691
35,214	2,749	3,852	73,945
4,000	-	5,230	18,496
-	-	-	215,311
<u>217,110</u>	<u>39,683</u>	<u>149,552</u>	<u>966,581</u>

-	-	-	976,640
-	-	-	290,663
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,267,303</u>

<u>\$ 217,110</u>	<u>\$ 39,683</u>	<u>\$ 149,552</u>	<u>\$ 2,233,884</u>
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ARC OF OUACHITA (dba ARCO)

Monroe, Louisiana

Combining Schedule of Activities

For the Year Ended June 30, 2019

With Comparative Totals for the Year Ended June 30, 2018

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supportive Work Contracts</u>
Support and Revenue				
Intergovernmental	\$ -	\$ 393,171	\$ 172,809	\$ (48)
Charges For Services	-	9,120	2,877	360,647
Contributions and Grants	240,638	13,000	49,242	6,918
United Way Allocation	-	12,900	-	-
Membership Dues	70,606	-	-	-
Contributions and Net Revenues from Special Events				
Contributions	14,953	-	-	-
Costs of Direct Benefit to Donors	-	-	-	-
Other Revenues	33,648	1,915	400	572
Total support and revenue	<u>359,845</u>	<u>430,106</u>	<u>225,328</u>	<u>368,089</u>
Expenses				
Depreciation and Amortization	1,836	29,050	21,023	19,705
Dues and Subscriptions	12,619	1,738	405	1,228
Food	2,809	3,116	382	963
Insurance	2,123	41,548	17,177	27,617
Interest	-	-	-	10,381
Licenses and Inspections	50	529	124	195
Maintenance	5,817	18,341	15,576	19,119
Medical	958	2,749	447	1,150
Miscellaneous	4,484	1,161	546	15,102
Office Supplies and Postage	5,600	3,305	454	1,003
Payroll Taxes	5,493	30,094	8,183	7,684
Pension	1,349	4,493	1,438	941
Professional Fees	1,829	8,308	2,660	3,067
Public Awareness	2,693	3,864	1,802	3,953
Rent	5,939	13,242	2,901	24,979
Salaries	71,066	383,891	104,630	178,528
Supplies	880	1,048	1,664	7,229
Telephone	1,340	8,841	3,243	7,006
Training	271	1,774	24	537
Transportation	-	13,530	6,874	6,419
Travel	637	4,080	280	380
Utilities	2,759	3,895	7,204	26,848
Total Expenses	<u>130,552</u>	<u>578,597</u>	<u>197,037</u>	<u>364,034</u>
Excess (Deficiency) of Revenues Over Expenses	229,293	(148,491)	28,291	4,055

	<u>Supported Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total June 30,</u>	
				<u>2019</u>	<u>2018</u>
\$	2,247,857	\$ 226,661	\$ 79,188	\$ 3,119,638	\$ 3,052,665
	22,774	31,749	-	427,167	415,724
	50	40	63,784	373,672	175,970
	-	-	158,521	171,421	168,025
	-	-	-	70,606	114,003
	-	-	-	14,953	20,016
	-	-	-	-	-
	108	-	40	36,683	52,306
	<u>2,270,789</u>	<u>258,450</u>	<u>301,533</u>	<u>4,214,140</u>	<u>3,998,709</u>
	5,826	5,304	296	83,040	74,053
	5,148	416	1,221	22,775	17,218
	2,000	9,814	120	19,204	15,763
	102,682	16,712	9,051	216,910	233,855
	-	-	-	10,381	11,110
	989	806	-	2,693	2,268
	51,297	6,764	5,060	121,974	118,461
	12,598	5,793	338	24,033	27,141
	6,715	24,887	217	53,112	75,161
	7,335	611	2,004	20,312	24,631
	129,160	10,071	12,794	203,479	212,152
	20,712	1,743	4,565	35,241	35,388
	39,486	8,152	11,410	74,912	95,910
	16,678	1,153	3,133	33,276	36,729
	30,749	3,189	53,757	134,756	133,549
	1,649,956	130,055	171,278	2,689,404	2,782,332
	4,628	4,295	580	20,324	24,784
	28,452	3,120	3,440	55,442	70,307
	19,449	12,315	66	34,436	28,965
	2,793	1,652	-	31,268	32,619
	37,403	111	4,940	47,831	53,442
	14,261	9,261	2,532	66,760	67,916
	<u>2,188,317</u>	<u>256,224</u>	<u>286,802</u>	<u>4,001,563</u>	<u>4,173,754</u>
	82,472	2,226	14,731	212,577	(175,045)

ARC OF OUACHITA (dba ARCO)

Monroe, Louisiana

Combining Schedule of Activities (Concluded)

For the Year Ended June 30, 2019

With Comparative Totals for the Year Ended June 30, 2018

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supportive Work Contracts</u>
Other financing sources (uses)				
Operating Transfers In	-	148,491	(28,291)	-
Operating Transfers (Out)	<u>(16,716)</u>	<u>-</u>	<u>-</u>	<u>(4,055)</u>
Total Other Financing Sources (Uses)	<u>(16,716)</u>	<u>148,491</u>	<u>(28,291)</u>	<u>(4,055)</u>
Increase (Decrease) in Net Assets	212,577	-	-	-
Net Assets at Beginning of Year	<u>1,054,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets at End of Year	\$ <u>1,267,303</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The following central office overhead expenses (COO) have to be reclassified from the various funds above and put in supporting services in order to reconcile to the presentation in the Statement of Activities.

	<u>Total Fund Expenses</u>	<u>COO Expenses</u>	<u>Statement of Activities</u>
Program services			
Supported employment	\$ 578,597	\$ (53,187)	\$ 525,410
Day habilitation	197,037	(15,971)	181,066
Supported work contracts	364,034	-	364,034
Supported living	2,188,317	(293,881)	1,894,436
Community home			
Mallard Home	256,224	(22,859)	233,365
Early Intervention	286,802	(30,232)	256,570
Total program services	\$ 3,871,011	\$ (416,130)	\$ 3,454,881
Supporting services			
General Fund	130,552	416,130	546,682
Total supporting services	\$ <u>130,552</u>	\$ <u>416,130</u>	\$ <u>546,682</u>
Total expenses	\$ <u>4,001,563</u>	\$ <u>-</u>	\$ <u>4,001,563</u>

Supported/ Independent Living	Mallard Home	Early Intervention	Total June 30,	
			2019	2018
(82,472)	(2,226)	(14,731)	20,771	452,855
-	-	-	(20,771)	(452,855)
(82,472)	(2,226)	(14,731)	-	-
-	-	-	212,577	(175,045)
-	-	-	1,054,726	1,229,771
\$ -	\$ -	\$ -	\$ 1,267,303	\$ 1,054,726

ARC OF OUACHITA (dba ARCO)
Monroe, Louisiana

**Schedule of Compensation, Benefits and Other Payments to Agency
Head or Chief Executive Officer**

For the year ended June 30, 2019

Schedule 3

Agency Head: Roma Kidd, Executive Director

Purpose	Amount
Salary	\$ 64,532
Benefits - Retirement	\$ 2,035
Reimbursements	\$ 794
Conference Travel	\$ 542

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

**The Board of Directors
ARC of Ouachita (DBA ARCO)
Monroe, 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 Ouachita (dba ARCO)** (a not-for-profit organization – the Arc), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Arc'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 Arc's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arc's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**The Board of Directors
Arc of Ouachita (dba ARCO)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arc'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001.

The Arc's Response to Findings

The Arc's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Arc's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Arc's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Woodland & Associates

**(A Professional Accounting Corporation)
January 6, 2020**

ARC OF OUACHITA (DBA ARCO)
Monroe, Louisiana

Schedule of Findings and Responses
As of and for the Years Ended June 30, 2019 and 2018

We have audited the financial statements of the Arc of Ouachita (the Arc), as of and for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the basic financial statements and have issued our report thereon dated January 6, 2020. We conducted our audit 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. Our audit of the financial statements as of June 30, 2019 resulted in an unmodified opinion.

2019-001 Late Filing of Financial Statements (First reported – 2019)

Criteria or Specific Requirement

Louisiana Revised Statute 24:513 requires that the Arc prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year.

Condition Found

The audited financial statements of the Arc were not submitted to the Louisiana Legislative Auditor within the time frame prescribed by law.

Cause

The Arc was stricken by an electronic virus which affected its ability to produce the financial records of the fiscal year ended June 30, 2019. A corrupt email originating from the statewide attacks was sent to at least one employee. The virus trying to make its way to the system was financial ransomware that was after financial data. As a result of this cyber-attack, the Arc was unable to provide the auditors with accurate financial information necessary for the audit to be completed in accordance with the time frame provided by state law.

Effect

The Arc was not in compliance with state law regarding the timely filing of the audited financial statements.

Recommendations

Due to the effects of this attack, we do not have any useful recommendations to offer to the Arc.

Management's Response

ARCO has increased its cybersecurity measurements including programs to monitor, detect, and block malware, as well as training for employees on the recognition of suspicious email and appropriate response.

ARC OF OUACHITA (dba ARCO)
Monroe, Louisiana

Summary Status of Prior Year Findings
As of and for the Year Ended June 30, 2019

The following is a summary of the status of the prior year findings included in Huffman & Soignier's (APAC) audit report dated December 31, 2018, covering the audit of the financial statements of the Arc of Ouachita (dba ARCO) (the Arc), as of and for the year ended June 30, 2018.

2018-001 Internal Control Weaknesses – Accuracy of Recordkeeping

Condition Found

Central Office Overhead (COO) costs were appropriately allocated to the various program services monthly but the costs were not coded as COO allowing for direct extraction. The COO monthly journal entries had to be manually extracted and accumulated in order to arrive at the supporting services required for the annual financial statement presentation.

Status

Resolved.

2017-002 Internal Control Weaknesses – Reconciliations

Condition Found

Reconciliations of revenue and receivable accounts are not being completed on a monthly basis to ensure accurate reports are provided to management.

- Intergovernmental revenues and receivables are not being reconciled between the billing system and the general ledger except annually making it difficult to identify errors due to the vast amount of data involved.
- There is no monthly reconciliation of fundraising, donations, memberships or grant revenues and receivables between the DonorPerfect system and the general ledger. When the accounts were reviewed internally at year end, there were considerable differences in classifications. For the year ended June 30, 2017, the auditors identified two donations totaling \$15,000 that were misclassified to donations instead of United Way.
- Enterprise donations are likewise not being reconciled monthly between the DonorPerfect system and the general ledger and the documentation given to the donor at the time of the donation is not prenumbered.

Status

Resolved.