

*The Arc Rapides, Inc.*

*Alexandria, Louisiana*

*June 30, 2020*

The Arc Rapides, Inc.

June 30, 2020

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

To the Board of Directors  
The Arc Rapides, Inc.  
Alexandria, Louisiana

Management is responsible for the accompanying financial statements of The Arc Rapides, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Supplementary Information

The accompanying schedule of compensation, benefits, and other payments to the agency head, political subdivision head, or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. The information was subject to our compilation engagement, but we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants  
Alexandria, Louisiana

October 5, 2020

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**The Arc Rapides, Inc.**  
**Statement of Financial Position**  
**June 30, 2020**

**Exhibit A**

<b>Assets</b>	
Cash and cash equivalents	\$ 1,933,284
Certificates of deposit	51,106
Accounts receivable	177,714
Accrued interest	85
Prepaid expenses	31,625
Other assets	158
Property, plant, and equipment - net of depreciation	<u>1,159,481</u>
<b>Total Assets</b>	<b><u><u>\$ 3,353,453</u></u></b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable	\$ 7,075
Accrued liabilities	119,410
Compensated absences	32,151
Note payable	<u>391,700</u>
Total Liabilities	550,336
<b>Net Assets</b>	
Without donor restrictions	<u>2,803,117</u>
Total Net Assets	<u>2,803,117</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 3,353,453</u></u></b>

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

**The Arc Rapides, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2020**

Exhibit B

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains (Losses), and Other Support</b>			
Program service fees			
Production contracts	\$ 74,461	\$ -	\$ 74,461
Food service	34,792	-	34,792
LA/DHH HCBS	2,355,468	-	2,355,468
LA/WC LRS	37,421	-	37,421
Contributions	2,618	-	2,618
Grants	139,509	-	139,509
Membership dues	480	-	480
Investment earnings			
Interest income	14,788	-	14,788
Dividend income	107,002	-	107,002
Miscellaneous revenue	16,581	-	16,581
Gain (loss) on disposal of equipment	9,695	-	9,695
Net assets released from restrictions	5,000	(5,000)	-
Total Revenues, Gains (Losses), and Other Support	2,797,815	(5,000)	2,792,815
<b>Expenses</b>			
Program Services			
Supported Living	1,087,367	-	1,087,367
Supported Employment	335,758	-	335,758
Day Habilitation	459,975	-	459,975
Pre-Vocational	284,694	-	284,694
Food Service	68,727	-	68,727
Supporting Services			
Management and general	542,476	-	542,476
Total Expenses	2,778,997	-	2,778,997
<b>Change in Net Assets</b>	18,818	(5,000)	13,818
<b>Net Assets, Beginning of Year</b>	2,784,299	5,000	2,789,299
<b>Net Assets, End of Year</b>	<u>\$ 2,803,117</u>	<u>\$ -</u>	<u>\$ 2,803,117</u>

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

**The Arc Rapides, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

Exhibit C

	Program Services				Supporting Services		Total
	Supported Living	Supported Employment	Day Habilitation	Pre-Vocational	Food Service	Management and General	
Salaries and wages	\$ 906,105	\$ 208,219	\$ 207,535	\$ 143,297	\$ 21,393	\$ 394,455	\$ 1,881,004
Payroll taxes	94,036	20,631	19,270	19,454	2,298	40,731	196,420
Employee benefits	29,323	14,964	22,072	17,959	-	16,418	100,736
Personnel related expenses	4,105	1,980	2,822	690	53	1,748	11,398
Communications	5,320	4,125	5,349	3,159	373	8,500	26,826
Computer and software	-	-	-	-	-	13,117	13,117
Contract services	61	72	169	58	-	9,000	9,360
Dues and subscriptions	-	-	-	-	-	6,874	6,874
Equipment	3,588	1,202	2,950	1,236	172	1,861	11,009
Food expense	-	-	-	-	33,143	-	33,143
Insurance	15,159	3,562	5,128	7,895	623	7,933	40,300
Postage and freight	-	-	-	-	-	2,221	2,221
Production expenses	-	786	-	1,332	-	-	2,118
Program expenses	499	573	1,422	625	-	5,737	8,856
Public relations	354	284	204	86	5	919	1,852
Supplies	5,269	6,153	14,830	6,546	943	18,293	52,034
Training and in-service	1,200	174	364	177	30	1,136	3,081
Transportation	-	23,553	55,691	37,142	-	-	116,386
Travel	15,220	2,225	54	199	-	4,904	22,602
Utilities	3,080	9,269	22,440	9,756	1,463	4,640	50,648
Property expenses	3,036	2,017	4,883	2,123	7,219	955	20,233
Depreciation	1,012	35,969	94,792	32,960	1,012	3,034	168,779
Total Expenses	<u>\$ 1,087,367</u>	<u>\$ 335,758</u>	<u>\$ 459,975</u>	<u>\$ 284,694</u>	<u>\$ 68,727</u>	<u>\$ 542,476</u>	<u>\$ 2,778,997</u>

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

**The Arc Rapides, Inc.  
Statement of Cash Flows  
Year Ended June 30, 2020**

**Exhibit D**

**Cash Flows From Operating Activities**

Change in net assets	\$ 13,818
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	168,779
Donated vehicles	(106,811)
(Gain) loss on disposal of equipment	(9,695)
Changes in operating assets and liabilities:	
Accounts receivable	54,048
Prepaid expenses	27,023
Accrued interest	1,375
Other assets	335
Accounts payable	(3,812)
Accrued liabilities	3,452
Compensated absences	9,775
<b>Cash Provided by (Used in) Operating Activities</b>	<b>158,287</b>

**Cash Flows From Investing Activities**

Investment earnings reinvested	(8,390)
Proceeds from maturity of certificates of deposit	663,708
Proceeds from the sale of equipment	9,695
Purchase of property, plant, and equipment	(171,334)
<b>Cash Provided by (Used in) Investing Activities</b>	<b>493,679</b>

**Cash Flows From Financing Activities**

Proceeds from note payable	391,700
<b>Cash Provided by (Used in) Financing Activities</b>	<b>391,700</b>

**Net Increase (Decrease) in Cash and Cash Equivalents** 1,043,666

**Cash and Cash Equivalents, Beginning of Year** 889,618

**Cash and Cash Equivalents, End of Year** **\$ 1,933,284**

**Additional Required Disclosures:**

1. Management considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. There was no interest paid during the year ended June 30, 2020.
3. There were no income taxes paid during the year ended June 30, 2020.
4. There were no material noncash financing transactions during the year that affected recognized assets and liabilities. As disclosed in Note 1, vehicles were donated by the Department of Transportation & Development.

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

**The Arc Rapides, Inc.**  
**June 30, 2020**

**Notes to Financial Statements**

**1. Nature of Activities and Significant Accounting Policies**

Nature of Activities

The Arc Rapides, Inc. (Arc), formerly known as Rapides Association for Retarded Citizens, Inc., was incorporated in the State of Louisiana on February 10, 1955, as a non-profit organization to provide education, community-based training, and necessary support designed to culminate in the greatest possible level of independent living for individuals with intellectual and developmental disabilities in Rapides Parish, Louisiana. Programs include:

- Supported Living Program: individualized and family support services offered in homes and apartments that are designed to achieve and/or maintain outcomes of independence, productivity, and community inclusion.
- Supported Employment Program: individualized employment or mobile work crews provided in an integrated competitive work setting.
- Day Habilitation Program: individualized non-employment services that are focused on skill development in socialization, adaptive learning, recreation, and community experiences.
- Pre-Vocational Program: individualized facility-based paid work emphasizing productivity. Paid work is complemented with recreational and community inclusion opportunities.
- Food Service Program: facility-based lunch program for participants.

Primary funding is derived from contracts for services with the State of Louisiana Department of Health and Human Services. The membership of the organization is open to all citizens of Rapides Parish, Louisiana, upon payment of dues.

Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Arc reports information regarding its financial position and activities according to two classes of net assets:

**The Arc Rapides, Inc.**  
**June 30, 2020**

**Notes to Financial Statements**

- Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor-imposed restrictions, program service fees, and interest from operating investments, less expenses incurred in providing program related services and performing administrative functions.
- Net assets with donor restrictions – These net assets result from agreements, gifts of cash, and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished. At June 30, 2020, there were no net assets with donor restrictions.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in interest bearing and noninterest bearing checking accounts and an interest-bearing savings account.

Certificates of Deposit

Certificates of deposit have a maturity date in excess of 90 days when purchased and are stated at cost, which approximates market value.

Receivables

Receivables are charged to expense when they become uncollectible. In the opinion of management, all receivables at June 30, 2020, were considered collectible within a year, and an allowance for doubtful accounts was not considered necessary.

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year.

Property, Plant, and Equipment

Purchased property and equipment, including improvements thereto, are recorded at acquisition cost. Donated property and equipment are recorded at their fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The Arc has adopted a minimum capitalization threshold for any individual item of \$5,000 and greater. Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements that improve or extend the useful lives of the respective assets are capitalized at cost.

**The Arc Rapides, Inc.**  
**June 30, 2020**

**Notes to Financial Statements**

Accrued Liabilities

Accrued liabilities consist of salaries and related benefits and taxes payable at year-end.

Compensated Absences

Employees of the Arc are entitled to be paid for accrued time earned as paid time off, depending on job classification, length of service, and other factors. Employees are allowed to carry over ten days of paid time off to the following year, but this is subject to change on a situational basis as determined by the executive director. The Arc accrues a liability for unused paid time off at fiscal year-end.

Revenues and Support

All contributions, grants, and fees are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions, grants, and fees received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. During the year ended June 30, 2020, the Arc was awarded a noncash grant in the amount of \$106,811 for two vehicles from the Department of Transportation and Development. Equipment and other noncash contributions are recorded at cost or estimated fair value determined at the date of contribution.

Production contracts and food service revenue are invoiced monthly based on rates established by the Arc. These services are considered to be one performance obligation, which is satisfied over the period of time during which the services are rendered. Payment for these services are due upon receipt of the invoice. This method is consistent with the as-invoiced practical expedient.

Contributed Services

Contributed services are recognized if the services require specialized skills and The Arc would be required to purchase these services if donated services were not available. No amounts have been reflected in the financial statements for donated services. The Arc generally pays for services requiring specific expertise.

Functional Allocation of Expenses

Costs incurred by the Arc from providing various program and support services have been presented on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated on a reasonable and consistent basis among the functional areas benefited. Most expenses are charged directly to program or support services based on specific identification. Other expenses are allocated based on square footage of the buildings in which each program operates, and depreciation for vehicles is allocated based on information from the Transportation Census.

Public Relations

Public relation costs are expensed when incurred. Public relation costs charged to expense for the year ended June 30, 2020, totaled \$1,852.

**The Arc Rapides, Inc.**  
**June 30, 2020**

**Notes to Financial Statements**

Income Tax Status

The Arc is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Arc's tax returns remain subject to audit by the IRS for three years after filing. At June 30, 2020, the returns for tax years 2017, 2018, and 2019 remain open.

Subsequent Events

Management has evaluated subsequent events through October 5, 2020, the date which the financial statements were available for issue.

New Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The standard proscribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount, and timing of revenue and cash flows. The Arc implemented this standard effective July 1, 2019, and this accounting change has been retrospectively applied to the prior periods presented as if this policy had always been used. The adoption of this guidance did not have a material impact on the Arc's financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The amendments in this Update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This standard was implemented effective July 1, 2019. The adoption of this guidance did not have a material impact on the Arc's financial statements.

**2. Accounts Receivable**

As of June 30, 2020 and June 30, 2019, accounts receivable consisted of:

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Contributions receivable	\$ 218,151	\$ 172,504
Other receivables (production contracts and food services)	<u>13,611</u>	<u>5,210</u>
	\$ 231,762	\$ 177,714

**The Arc Rapides, Inc.**  
**June 30, 2020**

**Notes to Financial Statements**

**3. Property, Plant, and Equipment**

The following schedule summarizes estimated useful life, cost, and accumulated depreciation of property, plant, and equipment as of June 30, 2020:

	Life	2020
Land		\$ 26,000
Building and improvements	15 – 40 Years	1,147,066
Vehicles, furniture, and equipment	4 – 10 Years	1,112,558
		2,285,624
Less: Accumulated depreciation		(1,126,143)
		\$ 1,159,481

Depreciation expense for the year ended June 30, 2020, was \$168,779.

**4. Note Payable**

In April 2020, the Arc acquired a loan in the amount of \$391,700 through Red River Bank to pay for payroll and related benefits and other expenses under the Paycheck Protection Program (PPP) provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan provides for monthly interest payments using a rate of 1.00% per annum beginning November 15, 2020 for eighteen months with the last payment including one principal payment of \$391,700. Management expects this loan will be forgiven in accordance with the CARES Act.

Principal payments for the next five years are as follows:

<u>Fiscal year-ending, June 30,</u>		
2021	-	\$ -
2022	391,700	391,700
		\$ 391,700

**5. Liquidity and Availability of Financial Assets**

The following reflects the Arc's financial assets as of June 30, 2020, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	<u>June 30, 2020</u>
Financial assets:	
Cash and cash equivalents	\$ 1,933,284
Certificates of deposit	51,106
Accounts receivable	177,714
Accrued interest	85
Total financial assets available to meet cash needs for general expenditures within one year	\$ 2,162,189

**The Arc Rapides, Inc.**  
**June 30, 2020**

**Notes to Financial Statements**

The Arc must maintain sufficient resources to meet responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Arc's liquidity management, it structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Arc anticipates covering its general expenditures by collecting sufficient revenues, investing excess cash in certificates of deposit, and utilizing resources from current year contributions and program service fees.

**6. Significant Concentrations**

The Arc maintains checking accounts, two savings accounts, and certificates of deposit in various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The organization's deposits exceeded FDIC coverage by \$1,214,268 at June 30, 2020.

The State of Louisiana Department of Health and Hospitals (DHH) Home and Community Based Service Provider (HCBS) and Workforce Commission's (WC) Louisiana Rehabilitation Services (LRS) provided \$2,392,889 in service contract funds, which is approximately 86% of total revenue and support. Without these funds, programs would be significantly affected.

## **Supplemental Information**

**The Arc Rapides, Inc.**  
**Schedule of Compensation, Benefits and Other Payments**  
**to the Agency Head or Chief Executive Officer**  
**June 30, 2020**

**Statement E**

**Duane Urbina, CEO**

Salary	\$ 82,639
Reimbursements	1,520
Travel	2,819
Total	<u>\$ 86,978</u>

See independent auditor's report.