

THE ARC OF MOREHOUSE

**Financial Statements
For the Years Ended June 30, 2017 and 2016**

THE ARC OF MOREHOUSE
FOR THE YEARS ENDED JUNE 30, 2017 and 2016

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HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The Arc of Morehouse
Bastrop, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of **The Arc of Morehouse** (a nonprofit organization, the Association), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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

Board of Directors
The Arc of Morehouse

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 opinions.

Opinion

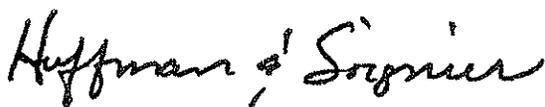
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Morehouse as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Schedules of Financial Position, Combining Schedules of Activities, and Schedule of Compensation, Benefits, and Other Payments to the Executive Director presented on pages 15 – 19 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the Association'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 Association's internal control over financial reporting and compliance.



(A Professional Accounting Corporation)
December 29, 2017

FINANCIAL STATEMENTS

**THE ARC OF MOREHOUSE
STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 238,911	\$ 193,223
Investments	111,871	110,621
Accounts Receivable		
Services (net of allowance for doubtful accounts of \$50,472 and \$21,900, respectively)	195,777	310,134
Prepaid Expenses	15,058	24,190
Fixed Assets	1,089,944	1,089,944
Accumulated Depreciation	(843,895)	(798,425)
TOTAL ASSETS	\$ 807,666	\$ 929,687
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 15,640	\$ 13,550
Accrued Payroll and Taxes	43,586	48,993
Other Accrued Liabilities	6,152	5,032
Total Liabilities	65,378	67,575
Net Assets		
Unrestricted	742,288	862,112
Total Net Assets	742,288	862,112
TOTAL LIABILITIES AND NET ASSETS	\$ 807,666	\$ 929,687

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

**THE ARC OF MOREHOUSE
STATEMENTS OF ACTIVITIES**

	Year Ended June 30,	
	2017	2016
Support, Revenue and Gains		
Intergovernmental Revenue	\$ 1,391,668	\$ 1,468,135
Program Receipts	323,644	300,246
United Way	679	1,005
Donations	1,101	290
Memberships	145	250
Interest	2,197	2,321
Miscellaneous	581	586
Total Support, Revenue and Gains	1,720,015	1,772,833
Expenses		
Program Services		
Adult Habilitation	305,647	281,717
Contract Services	116,439	128,068
Supported Living	501,540	529,461
East Morehouse Community Home	283,014	254,175
Crossett Road Community Home	297,833	287,147
Total of Program Services	1,504,473	1,480,568
Supporting Services		
General and Administrative	335,366	369,666
Total Expenses	1,839,839	1,850,234
Decrease in Net Assets	(119,824)	(77,401)
Net Assets at Beginning of Year	862,112	939,513
NET ASSETS AT END OF YEAR	\$ 742,288	\$ 862,112

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

**THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2017

	Program Services					Total Program Services	Supportive Services	
	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services			General and Administrative	Total
				East Morehouse	Crossett Road			
Salaries	\$ 123,746	\$ 102,327	\$ 389,658	\$ 111,800	\$ 138,360	\$ 865,891	\$ 137,957	\$ 1,003,848
Payroll Taxes and Fringe Benefits	26,808	2,769	64,460	21,944	24,276	140,257	1,965	142,222
Total Salaries and Related Expenses	150,554	105,096	454,118	133,744	162,636	1,006,148	139,922	1,146,070
Bad Debts	50,795	-	-	-	-	50,795	-	50,795
Consultants	-	-	1,875	7,241	7,428	16,544	-	16,544
Data Processing	-	-	1,176	-	-	1,176	14,918	16,094
Dues and Subscriptions	-	-	1,197	-	-	1,197	6,260	7,457
Food and Client Needs	1,835	-	1,011	25,439	27,706	55,991	-	55,991
Insurance	26,064	5,805	10,702	10,599	10,607	63,777	22,136	85,913
Maintenance	10,921	-	-	7,680	4,866	23,467	30,037	53,504
Office	2,080	-	385	-	-	2,465	8,189	10,654
Postage	-	-	146	-	-	146	1,833	1,979
Professional Fees	-	-	12,886	-	-	12,886	68,199	81,085
Public Awareness	11,899	19	3,031	2,238	2,223	19,410	3,180	22,590
Supplies	5,503	5,211	68	789	377	11,948	13,754	25,702
Taxes and Licenses	375	124	2,882	2,539	1,679	7,599	475	8,074
Telephone	2,186	-	1,057	-	-	3,243	10,812	14,055
Training	-	-	-	72,179	52,958	125,137	-	125,137
Transportation	16,859	-	5,025	4,196	3,839	29,919	514	30,433
Travel and Conventions	463	184	4,782	1,239	807	7,475	842	8,317
Utilities	8,172	-	473	9,943	8,620	27,208	6,767	33,975
Total	287,706	116,439	500,814	277,826	283,746	1,466,531	327,838	1,794,369
Depreciation	17,941	-	726	5,188	14,087	37,942	7,528	45,470
TOTAL FUNCTIONAL EXPENSES	\$ 305,647	\$ 116,439	\$ 501,540	\$ 283,014	\$ 297,833	\$ 1,504,473	\$ 335,366	\$ 1,839,839

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

**THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2016

	Program Services					Total Program Services	Supportive Services	
	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services			General and Administrative	Total
				East Morehouse	Crossett Road			
Salaries	\$ 133,125	\$ 117,223	\$ 405,845	\$ 118,263	\$ 134,887	\$ 909,343	\$ 193,654	\$ 1,102,997
Payroll Taxes and Fringe Benefits	16,307	5,028	50,434	15,495	16,197	103,461	41,469	144,930
Total Salaries and Related Expenses	149,432	122,251	456,279	133,758	151,084	1,012,804	235,123	1,247,927
Bad Debts	10,091	-	-	-	-	10,091	-	10,091
Consultants	375	-	2,864	7,379	7,904	18,522	-	18,522
Data Processing	472	-	669	3	-	1,144	8,960	10,104
Dues and Subscriptions	-	-	494	2	-	496	6,935	7,431
Food and Client Needs	192	150	961	21,955	35,336	58,594	964	59,558
Insurance	25,727	2,102	11,470	10,104	10,905	60,308	14,880	75,188
Maintenance	9,622	-	240	5,767	5,666	21,295	19,872	41,167
Office	-	-	1,447	170	-	1,617	12,402	14,019
Postage	-	-	142	1	-	143	2,019	2,162
Professional Fees	12,410	-	40,966	6	-	53,382	16,127	69,509
Public Awareness	12,557	-	691	1,048	1,012	15,308	11,182	26,490
Supplies	8,063	3,565	193	831	50	12,702	6,885	19,587
Taxes and Licenses	546	-	4,156	1,574	1,448	7,724	1,068	8,792
Telephone	-	-	1,106	5	-	1,111	11,459	12,570
Training	-	-	-	53,209	50,328	103,537	-	103,537
Transportation	24,441	-	2,553	4,176	2,529	33,699	-	33,699
Travel and Conventions	2,024	-	4,753	511	543	7,831	2,290	10,121
Utilities	8,065	-	477	8,367	6,810	23,719	7,216	30,935
Total	264,017	128,068	529,461	248,866	273,615	1,444,027	357,382	1,801,409
Depreciation	17,700	-	-	5,309	13,532	36,541	12,284	48,825
TOTAL FUNCTIONAL EXPENSES	\$ 281,717	\$ 128,068	\$ 529,461	\$ 254,175	\$ 287,147	\$ 1,480,568	\$ 369,666	\$ 1,850,234

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

**THE ARC OF MOREHOUSE
STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2017	2016
Cash Flows From Operating Activities		
Decrease in Net Assets	\$ (119,824)	\$ (77,401)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Bad Debt Expense	50,795	10,091
Depreciation	45,470	48,825
Changes in Assets and Liabilities:		
Accounts Receivable	63,562	(62,899)
Prepaid Expenses	9,132	(14,097)
Accounts Payable	2,090	3,175
Accrued Payroll and Taxes	(5,407)	7,456
Other Accrued Liabilities	1,120	(6,527)
Net Cash Used by Operating Activities	46,938	(91,377)
 Cash Flows From Investing Activities		
Purchases of Investments, Net	(1,250)	(2,130)
Additions to Property and Equipment	-	(1,959)
Net Cash Used by Investing Activities	(1,250)	(4,089)
 Net Decrease in Cash and Cash Equivalents	45,688	(95,466)
 Beginning Cash and Cash Equivalents	193,223	288,689
 ENDING CASH AND CASH EQUIVALENTS	\$ 238,911	\$ 193,223

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

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Description of Organization

The Arc of Morehouse (the Association) is a nonprofit voluntary health and welfare association chartered in 1955 to promote the general welfare of developmentally disabled persons residing in Morehouse Parish.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

The Association has also adopted FASB ASC 958-605, "Not For Profit Entities-Revenue Recognition." In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. At June 30, 2017 and 2016, the Association received no contributions which were either temporarily or permanently restricted.

Donations are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions received during the year whose restrictions are met in the same reporting period are treated as unrestricted contributions. The Association's policy is to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Cash, Cash Equivalents, and Investments

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The Association's investments at June 30, 2017 and 2016 consisted entirely of certificates of deposit with maturities greater than three months. The certificates are reported at cost which approximates fair market value.

D. Accounts Receivable and Allowance for Doubtful Accounts

All accounts receivable are shown net of allowance for doubtful accounts. The allowance for doubtful accounts is evaluated periodically and is based on the age of outstanding accounts receivable and experience with customers.

E. Fixed Assets

Fixed assets are recorded at actual or historical cost. Donated assets are recorded at fair market value on the date of donation. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. The Association has a policy to capitalize fixed assets costing more than \$1,000. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated service lives:

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

F. 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 Association records its expenses in several ways: direct, indirect, and shared. 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. Shared expenses represent the

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Supporting Services costs.

G. Programs

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

Adult Habilitation (Day Program) - The Adult Habilitation funds are used to train clients in vocational and prevocational activities and supportive services.

Contract Services - Contract Services income is derived from services performed by clients which include janitorial and other contracts.

Supported Living - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the Residential Services, helps the individual clients become more independent by providing support and training in their residences within the community.

Residential Services - Residential Services income is received from the Louisiana Department of Health and Hospitals. 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.

H. Tax-Exempt Status

The Association 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 Association are tax deductible within the limitations prescribed by the Code. The Association is subject to income tax examinations by the Internal Revenue Service and the Louisiana Department of Revenue; however, there are currently no examinations in progress for any tax periods. The Association is subject to income tax examinations for the years ended June 30, 2014, 2015, 2016 and 2017.

I. 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.

J. Reclassifications

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

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 - Fixed Assets

Fixed assets consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Depreciable Assets		
Buildings	\$ 537,425	\$ 537,425
Equipment	173,419	173,419
Vehicles	260,570	260,570
Improvements	<u>102,310</u>	<u>102,310</u>
Total depreciable assets	1,073,724	1,073,724
Less: Accumulated depreciation	<u>(843,895)</u>	<u>(798,425)</u>
Net depreciable assets	<u>229,829</u>	<u>275,299</u>
Nondepreciable Assets		
Land	<u>16,220</u>	<u>16,220</u>
Total nondepreciable assets	<u>16,220</u>	<u>16,220</u>
Total fixed assets	<u>\$ 246,049</u>	<u>\$ 291,519</u>

Depreciation charged to expense in 2017 and 2016 is \$45,470 and \$48,825, respectively.

Note 5 - Letter of Credit

Per Louisiana Department of Health and Hospitals guidelines, the Association maintains a \$50,000 line of credit at a local bank for operational use, if needed. The line of credit carries a variable interest rate based on the Wall Street Journal Prime Rate. The Association borrowed \$23,000 from the letter of credit during the year ended June 30, 2017. The amount was repaid in full during 2017 and the Association recognized \$184 of interest expense for the year. The Association did not borrow from the line of credit in the year ended June 30, 2016.

Note 6 - Concentrations and Uncertainties

Certain financial instruments potentially subject the Association to concentration of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Association maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2017 and 2016, no bank deposits exceeded the federal insured limits.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The Association receives approximately 81% of total revenue and support from various state agencies. Federal and state budget cuts have resulted in decreased revenues for the Association in recent years and it is likely that additional cuts will be made in subsequent periods.

Note 7 – Retirement Plan

The Association contributes to an American Funds 403(b) retirement plan at a rate based on term of service and contingent upon agency funds being available. The Association will match up to 50% of a participant's contribution not to exceed 6% of the employee's annual salary. All full-time employees are eligible to participate. Matching contributions made by the Association for the years ended June 30, 2017 and 2016 were \$1,501 and \$1,301, respectively.

Note 8 – Subsequent Events

Management has evaluated subsequent events through December 29, 2017, the date which the financial statements were available to be issued and determined that no events occurred that require disclosure.

SUPPLEMENTAL SCHEDULES

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION**

June 30, 2017

	Program Services							Total
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		Total	
					East Morehouse	Crossett Road		
ASSETS								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 42,384	\$ 196,527	\$ 238,911	
Investments	111,871	-	-	-	-	-	111,871	
Accounts Receivable	-	27,048	11,919	89,130	25,751	41,929	195,777	
Prepaid Expenses	4,030	754	341	-	1,245	8,688	15,058	
Due From Other Funds	1,837,297	368,107	6,921	289,976	45,141	595,742	3,143,184	
Fixed Assets	1,089,944	-	-	-	-	-	1,089,944	
Accumulated Depreciation	(843,895)	-	-	-	-	-	(843,895)	
TOTAL ASSETS	\$ 2,199,247	\$ 395,909	\$ 19,181	\$ 379,106	\$ 114,521	\$ 842,886	\$ 3,950,850	
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts Payable	\$ 4,137	\$ 4,372	\$ 651	\$ 828	\$ 3,439	\$ 2,213	\$ 15,640	
Accrued Payroll and Taxes	70	8,384	3,555	15,675	8,549	7,353	43,586	
Accrued Liabilities	320	-	-	-	2,440	3,392	6,152	
Due to Other Funds	2,034,053	129,263	16,333	671,759	22,879	268,897	3,143,184	
Total Current Liabilities	2,038,580	142,019	20,539	688,262	37,307	281,855	3,208,562	
Net assets								
Unrestricted	160,667	253,890	(1,358)	(309,156)	77,214	561,031	742,288	
Total Net Assets	160,667	253,890	(1,358)	(309,156)	77,214	561,031	742,288	
TOTAL LIABILITIES AND NET ASSETS	\$ 2,199,247	\$ 395,909	\$ 19,181	\$ 379,106	\$ 114,521	\$ 842,886	\$ 3,950,850	

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION**

June 30, 2016

	Program Services						
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		Total
					East Morehouse	Crossett Road	
ASSETS							
Cash and Cash Equivalents	\$ -	\$ -	\$ 3,213	\$ -	\$ 6,987	\$ 183,023	\$ 193,223
Investments	110,512	-	109	-	-	-	110,621
Accounts Receivable	-	71,176	15,245	160,640	28,893	34,180	310,134
Prepaid Expenses	13,855	244	290	2,777	-	7,024	24,190
Due From Other Funds	1,822,912	368,107	6,921	289,968	45,134	602,492	3,135,534
Fixed Assets	1,089,944	-	-	-	-	-	1,089,944
Accumulated Depreciation	(798,425)	-	-	-	-	-	(798,425)
TOTAL ASSETS	\$ 2,238,798	\$ 439,527	\$ 25,778	\$ 453,385	\$ 81,014	\$ 826,719	\$ 4,065,221
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts Payable	\$ 6,159	\$ 3,986	\$ 274	\$ -	\$ 1,122	\$ 2,009	\$ 13,550
Accrued Payroll and Taxes	5,083	7,119	4,655	18,479	6,362	7,295	48,993
Accrued Liabilities	-	-	-	-	2,072	2,960	5,032
Due to Other Funds	2,020,630	147,283	11,418	665,776	22,085	268,342	3,135,534
Total Current Liabilities	2,031,872	158,388	16,347	684,255	31,641	280,606	3,203,109
Net assets							
Unrestricted	206,926	281,139	9,431	(230,870)	49,373	546,113	862,112
Total Net Assets	206,926	281,139	9,431	(230,870)	49,373	546,113	862,112
TOTAL LIABILITIES AND NET ASSETS	\$ 2,238,798	\$ 439,527	\$ 25,778	\$ 453,385	\$ 81,014	\$ 826,719	\$ 4,065,221

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES**

For the Year Ended June 30, 2017

	Program Services						
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		Total
					East Morehouse	Crossett Road	
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 218,492	\$ -	\$ 532,099	\$ 304,612	\$ 336,465	\$ 1,391,668
Program Receipts	-	125,137	105,759	-	36,929	55,819	323,644
United Way	603	76	-	-	-	-	679
Memberships	145	-	-	-	-	-	145
Interest	2,197	-	-	-	-	-	2,197
Donations	809	292	-	-	-	-	1,101
Miscellaneous	368	213	-	-	-	-	581
Total Revenues and Other Support	4,122	344,210	105,759	532,099	341,541	392,284	1,720,015
Expenses							
Program Services							
Adult Habilitation	-	372,499	-	-	-	-	372,499
Contract Services	-	-	116,439	-	-	-	116,439
Supported Living	-	-	-	609,344	-	-	609,344
East Morehouse Community Home	-	-	-	-	341,233	-	341,233
Crossett Road Community Home	-	-	-	-	-	350,445	350,445
Total Program Services	-	372,499	116,439	609,344	341,233	350,445	1,789,960
Management and General	4,409	-	-	-	-	-	4,409
Total Expenses Before Depreciation	4,409	372,499	116,439	609,344	341,233	350,445	1,794,369
Depreciation	-	19,915	-	3,252	6,664	15,639	45,470
Total Expenses	4,409	392,414	116,439	612,596	347,897	366,084	1,839,839
Increase (Decrease) in Net Assets	(287)	(48,204)	(10,680)	(80,497)	(6,356)	26,200	(119,824)
Other Sources (Uses)							
Transfers In	293	20,955	-	2,211	34,197	15,639	73,295
Transfers Out	(46,265)	-	(109)	-	-	(26,921)	(73,295)
Total Other Sources	(45,972)	20,955	(109)	2,211	34,197	(11,282)	-
Increase (Decrease) in Net Assets	(46,259)	(27,249)	(10,789)	(78,286)	27,841	14,918	(119,824)
Net Assets at Beginning of Year	206,926	281,139	9,431	(230,870)	49,373	546,113	862,112
NET ASSETS AT END OF YEAR	\$ 160,667	\$ 253,890	\$ (1,358)	\$ (309,156)	\$ 77,214	\$ 561,031	\$ 742,288

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES**

For the Year Ended June 30, 2016

	Program Services						Total
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		
					East Morehouse	Crossett Road	
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 245,532	\$ -	\$ 577,301	\$ 284,906	\$ 360,396	\$ 1,468,135
Program Receipts	-	103,572	110,245	-	35,004	51,425	300,246
United Way	-	1,005	-	-	-	-	1,005
Memberships	250	-	-	-	-	-	250
Interest	2,321	-	-	-	-	-	2,321
Donations	-	290	-	-	-	-	290
Miscellaneous	50	-	536	-	-	-	586
Total Revenues and Other Support	2,621	350,399	110,781	577,301	319,910	411,821	1,772,833
Expenses							
Program Services							
Adult Habilitation	-	363,157	-	-	-	-	363,157
Contract Services	-	-	128,068	-	-	-	128,068
Supported Living	-	-	-	651,241	-	-	651,241
East Morehouse Community Home	-	-	-	-	308,628	-	308,628
Crossett Road Community Home	-	-	-	-	-	343,876	343,876
Total Program Services	-	363,157	128,068	651,241	308,628	343,876	1,794,970
Management and General	6,439	-	-	-	-	-	6,439
Total Expenses Before Depreciation	6,439	363,157	128,068	651,241	308,628	343,876	1,801,409
Depreciation	-	21,795	-	2,819	7,777	16,434	48,825
Total Expenses	6,439	384,952	128,068	654,060	316,405	360,310	1,850,234
Increase (Decrease) in Net Assets	(3,818)	(34,553)	(17,287)	(76,759)	3,505	51,511	(77,401)
Other Sources (Uses)							
Transfers In	3,315	22,440	-	3,875	8,357	17,598	55,585
Transfers Out	(49,216)	(645)	-	(1,056)	(3,504)	(1,164)	(55,585)
Total Other Sources	(45,901)	21,795	-	2,819	4,853	16,434	-
Increase (Decrease) in Net Assets	(49,719)	(12,758)	(17,287)	(73,940)	8,358	67,945	(77,401)
Net Assets at Beginning of Year	256,645	293,897	26,718	(156,930)	41,015	478,168	939,513
NET ASSETS AT END OF YEAR	\$ 206,926	\$ 281,139	\$ 9,431	\$ (230,870)	\$ 49,373	\$ 546,113	\$ 862,112

**THE ARC OF MOREHOUSE
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO THE EXECUTIVE DIRECTOR**

For the Year Ended June 30, 2017

Agency Head Name: Lenard C. Halley, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 54,791
Benefits - insurance	8,884
Benefits - retirement	651
Reimbursements	102

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA
David Ray Soignier, CPA, MBA, CGMA

John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA, CGMA, CITP
Katie Jacola, CPA
Lesley Engolia, CPA

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

**Board of Directors
The Arc of Morehouse
Bastrop, 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 Morehouse (a nonprofit organization, the Association), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

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

The Arc of Morehouse
Bastrop, Louisiana

weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

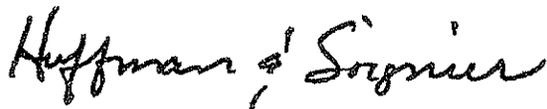
As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's Response to Findings

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



(A Professional Accounting Corporation)
December 29, 2017

**The Arc of Morehouse
Bastrop, Louisiana**

**Schedule of Findings and Responses
For the Year Ended June 30, 2017**

**2017-001 Deficiencies in Medicaid billings and collections
(First reported in 2013)**

Criteria:

As reported in prior years, a sound system of internal control includes the maintenance of staff of a proper size and expertise to execute their functions in an accurate and timely manner.

Condition:

During the audit of Title XIX revenues and receivables, it was noted that the Arc of Morehouse (the Association) was delinquent in collecting long outstanding balances of accounts receivable.

Cause:

Based on previous billing and collection issues, the Association outsourced its billing function to an external billing consultant. However, numerous claims were denied and not followed up on and rebilled in a timely manner.

Effect:

The continuation of collection problems has resulted in the Association recognizing bad debt expenses of \$50,795 and an allowance for doubtful accounts of \$50,472 for the year ended June 30, 2017.

Recommendation:

We recommend that the Association work more closely with its external billing company to ensure that the proper amounts are billed and collected in a timely manner.

Management's Corrective Action Plan:

The Association has terminated its contract with the previously mentioned billing company and has contracted with a new company. The new company submits Medicaid billing on a weekly basis and denied claims are now followed up on in a timely manner.

**2017-002 Deficiencies in internal control over accounting and review
(First reported in 2016)**

Criteria:

Proper internal controls require the Association to maintain a system of internal controls sufficient to allow employees to detect and correct misstatements in a timely manner.

**The Arc of Morehouse
Bastrop, Louisiana**

**Schedule of Findings and Responses
For the Year Ended June 30, 2017**

Condition:

As a result of audit procedures, eight adjusting journal entries had to be made. Of those entries, three related to misposted items totaling \$86,910.

Cause:

In the period immediately after the year ended June 30, 2016, the Association terminated the employment of its Business Manager and outsourced the accounting function to a local CPA. During the transition process and into the subsequent period, annual account balances were not reviewed and corrected in a timely manner sufficient for management to make decisions.

Effect:

Mispostings between funds resulted in internal financial information to be misstated between programs.

Recommendation:

We recommend that the Association have its' external CPA reconcile and review significant account balances for each fund on a monthly and annual basis.

Management's Corrective Action Plan:

Staff from the Association's external CPA will review and reconcile financial information for each fund on a monthly and annual basis.

The Arc of Morehouse
Bastrop, LA

Status of Prior Year Findings
For the Year Ended June 30, 2017

The following is a summary of the status of the prior year findings reported in the Huffman & Soignier (APAC) audit report dated December 30, 2016 covering the examination of the financial statements of The Arc of Morehouse (the Association) as of and for the year ended June 30, 2016.

**2016-01 Deficiencies in Medicaid billings and collections
(First reported in 2013)**

Conditions Found:

During the audit of Title XIX revenues and receivables, it was noted that the Association was delinquent in collecting long outstanding balances of accounts receivable. It was also noted that monthly billings in the Adult Habilitation program were not completed for three months during the year ended June 30, 2016.

Status

Although the billing function was outsourced to an external consultant, problems persisted into the subsequent period. The contract with the consultant was terminated and a new consultant was hired. See Finding 2017-01

2016-02 Deficiencies in internal control over accounting and review

Conditions Found:

The Association outsourced its accounting function to an external CPA. During the transition period, account balances were not reconciled and reviewed in a timely manner. As a result of audit procedures, fourteen adjusting entries were made to the general ledger.

Status

While improvements were made in this area, certain problems still persist. See finding 2017-02.