THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2019

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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December 19, 2019

The Board of Directors
The Arc Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc Caddo-Bossier as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, "*Presentation of Financial Statements* of *Not-for-Profit Entities*." The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Arc Caddo-Bossier adopted ASU 2016-14 for the year ended June 30, 2019 and its effects are reflected in the consolidated financial statements presented. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 19, 2019, on our consideration of The Arc Caddo-Bossier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc Caddo-Bossier's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

Cash and cash equivalents	2,390,481
Investments-Notes 8 and 13	3,835,903
Accounts receivable-Note 4	1,708,382
Prepaid expenses and other assets	251,687
Land, building and equipment, net-Note 5	2,441,561
Beneficial interest in foundation-Note 14	6,821,303
Total assets	17,449,317

LIABILITIES AND NET ASSETS

Accounts payable	134,324
Accrued payroll and related liabilities	603,859
Accrued expenses	79,162
Total liabilities	817,345
Net assets:	
Without donor restrictions:-Note 3	
Undesignated	8,625,765
Designated by the Board	1,158,485
	9,784,250
With donor restrictions-Note 3	6,847,722
Total net assets	16,631,972
Total liabilities and net assets	17,449,317

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

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	June 30, 2019
Public support and revenue:			
Public support:			
State of Louisiana	351,577	-	351,577
Title XIX	10,963,196	-	10,963,196
United Way	10,000	-	10,000
Contributions	250,640	760	251,400
Service fees	523,497	-	523,497
Other public support	37,622	-	37,622
Total public support	12,136,532	760	12,137,292
Revenue:			
Sales revenue	3,409,883	-	3,409,883
Membership dues	5,460	-	5,460
Investment income-Note 8	154,772	-	154,772
Change in interest in Foundation	206,000	71,115	277,115
Other income	103,847	-	103,847
Total revenue	3,879,962	71,115	3,951,077
Total public support and revenue	16,016,494	71,875	16,088,369
Net assets released from restrictions	1,742	(1,742)	-
Expenses:			
Adult services	4,209,434	-	4,209,434
Children services	976,624	-	976,624
Residential services	9,168,268	-	9,168,268
Leisure services	290,072	-	290,072
Management and general	1,376,771	-	1,376,771
Total expenses	16,021,169	-	16,021,169
Change in net assets	(2,933)	70,133	67,200
Net assets-beginning of year	9,787,183	6,777,589	16,564,772
Net assets-end of year	9,784,250	6,847,722	16,631,972

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

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services		
	Adult Services	Children Services	Residential Services
Salaries	2,620,887	690,906	6,431,356
Payroll taxes	204,240	54,676	513,391
Other employee expenses	422,553	46,282	708,786
Total salaries and payroll related expenses	3,247,680	791,864	7,653,533
Professional	8,894	-	6,900
Insurance	89,267	4,367	71,001
Licenses	750	176	314,669
Office expense	10,006	3,001	16,127
Postage and publication	1,439	1,384	2,611
Dues and subscriptions	761	622	784
Telephone	14,412	1,788	17,643
Repairs and maintenance	88,819	11,884	110,672
Building services	3,437	20,624	55,131
Training	928	614	38,902
Travel and conventions	8,628	484	65,429
Operating supplies	358,965	16,845	6,498
Utilities	133,963	15,640	113,688
Vehicle and equipment lease	49,002	2,914	24,635
Food	288	61,028	142,489
Household supplies	535	3,634	31,298
Clothing	-	-	9,583
Personal necessities	-	-	14,782
Medical and therapy	-	712	31,320
Transportation and outing	-	-	1,712
Consultant fees	-	-	225,594
Other	106,152	2,897	96,439
Total other expenses before depreciation	876,246	148,614	1,397,907
Total expenses before depreciation	4,123,926	940,478	9,051,440
Depreciation expense	85,508	36,146	116,828
Total expenses	4,209,434	976,624	9,168,268

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

Program Services	Supporting Services	
Leisure Services	Management and General	June 30, 2019
137,366	750,024	10,630,539
10,965	56,698	839,970
820	96,896	1,275,337
149,151	903,618	12,745,846
1,595	140,909	158,298
9,272	92,075	265,982
-	-	315,595
2,915	33,245	65,294
50	2,706	8,190
1,185	19,472	22,824
3,783	4,590	42,216
4,604	25,332	241,311
6,467	19,081	104,740
841	23,401	64,686
1,474	29,496	105,511
31,080	5,200	418,588
6,758	14,168	284,217
-	12,313	88,864
1,476	1,827	207,108
-	331	35,798
-	-	9,583
-	-	14,782
6,746	1,867	40,645
-	-	1,712
3,580	-	229,174
1,734	1,546	208,768
83,560	427,559	2,933,886
232,711	1,331,177	15,679,732
57,361	45,594	341,437
290,072	1,376,771	16,021,169

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Change in net assets	67,200
Adjustments to reconcile change in net assets to net cash (used) by operating expenses:	
Depreciation	341,437
Net realized and unrealized (gains) on investments	(71,287)
Change in interest in Foundation	(277,115)
(Increase) in accounts receivable	(404,914)
(Increase) in prepaid expenses and other assets	(119,417)
Increase in accounts payable	30,533
Increase in payroll liabilities	55,972
(Decrease) in accrued expenses	(7,660)
Total adjustments	(452,451)
Net cash (used) by operating activities	(385,251)
Cash flows from investing activities:	
Sales of investments	1,250,339
Purchase of investments	(1,333,980)
Distributions from Foundation	206,000
Purchase of fixed assets	(257,765)
Net cash (used) by investing activities	(135,406)
Net (decrease) in cash and cash equivalents	(520,657)
Cash and cash equivalents at beginning of year	2,911,138
Cash and cash equivalents at end of year	2,390,481
Supplemental disclosures:	
Cash paid for interest	-

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

THE ARC CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019

1. Nature of Business

The Arc Caddo-Bossier is a not-for-profit public service association. Revenues are derived primarily from the following:

a) State of Louisiana, generally under third-party reimbursement plans
b) Title XIX, under third-party reimbursement plans
c) Service fees
d) Contributions from the general public
e) Contract work by the handicapped clients for various types of companies
f) Investment income

The Arc provides services to the mentally handicapped of all ages in northwest Louisiana, generally in the following functional areas:

a) Adult Services – provides day habilitation and employment for full and part-time adult workers with disabilities, generally in custodial, linen, filter and lawn services, and through sheltered employment and employment-related training.

b) Children Services – provides childcare and developmentally appropriate educational experiences to enrolled children aged six weeks to five years of age, both with and without disabilities.

c) Residential Services – provides an array of community living services for children and adults with disabilities and their families, including supported independent living, long-term personal care, personal care attendant, respite care, and elderly disabled adult waiver.

d) Leisure Services – provides therapeutic services to adults and children with disabilities through horseback riding.

2. Summary of Significant Accounting Policies

a) Financial Statement Presentation:
The Arc is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of The Arc and changes therein may be classified and reported as follows:

Without donor restrictions-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 3.

With donor restrictions-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc, the passage of time, or that they be maintained permanently. Donor restricted net assets are detailed in Note 3.

2. Summary of Significant Accounting Policies (Continued)

b) Contributions:
Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

c) Promises to Give:
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Arc uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

d) Investments:
Investments are accounted for at fair value. Realized gains and losses on the sale of securities are determined using the specific identification method. Net investment return is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized gains and losses. Investment income is reported net of external investment expenses.

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

f) Land, Building and Equipment:
Land, building and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset	Estimated Life
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of $5,000 are capitalized.

g) Advertising Costs:
When significant, costs of advertising are expensed as incurred.

h) Consolidation:
The financial statements include the accounts of The Arc and Great Results Equine Assisted Therapies (GREAT), a not-for-profit corporation that uses horseback riding as a therapeutic aid to handicapped individuals. GREAT merged with The Arc in 2001, with approximate net assets of $25,000. All significant intercompany transactions have been eliminated in the consolidated financial statements.

2. Summary of Significant Accounting Policies (Continued)

i) Income Taxes:
As nonprofit, privately supported organizations, both The Arc and GREAT are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but each must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Arc and GREAT are required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they continue to qualify as tax-exempt entities. They also must consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax-exempt entities, they must assess whether they have any tax positions associated with unrelated business income subject to income tax. Neither entity expects these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

The Arc and GREAT are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2016 and beyond remain subject to examination by the Internal Revenue Service.

j) Functional Expenses:
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fund-raising expenses are not significant.

k) Cash Equivalents:
For purposes of the statement of cash flows, The Arc considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

l) Compensated Absences:
Annual leave is earned by employees as follows:

Length of Service	Annual Leave Earned
Less than three months	None
From four months to one year	Eleven days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

2. Summary of Significant Accounting Policies (Continued)

m) Trade Receivables from Contract Work:
Trade receivables from contract work, service fees, and other third-party reimbursement plans and service fees that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount, less any related allowance for doubtful receivables. Management periodically reviews its outstanding receivables for collectability. Past due status of receivables is based on their contractual terms. Amounts received under third-party reimbursement plans are subject to adjustment by the payer, and also may be subject to subsequent audit. Management believes the possibility of adjustments of material amount is remote.

n) Accounting Changes:
In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*," with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources. This standard is effective for fiscal years beginning after December 15, 2017. The Arc adopted this standard for the year ended June 30, 2019 and its implementation is reflected in the financial statements.

o) Accounting Guidance/Principles Not Yet Adopted:
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective for fiscal years beginning after December 31, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Arc currently is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures, and has not yet selected a transition method.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Arc currently is evaluating the potential impact of adopting this guidance on its financial statements.

3. Net Assets

Net assets consist of the following:

Net assets without donor restrictions:	
Undesignated:	
Without Board designations	6,184,204
Invested in property and equipment, net of related debt	2,441,561
Total undesignated	8,625,765
Designated by the Board:	
For adult services	47,222
For worker's compensation claims	1,111,263
Total designated	1,158,485
Total without donor restrictions	9,784,250
Net assets with donor restrictions:	
For purposes to be determined by The Arc Caddo-Bossier Foundation	6,771,303
For purposes of child services education	26,419
Restricted in perpetuity through The Arc Caddo-Bossier Foundation	50,000
Total with donor restrictions	6,847,722
Total net assets	16,631,972

4. Accounts Receivable

Accounts receivable due The Arc at year end are as follows:

Contract work	483,199
State of Louisiana	24,260
Title XIX	1,082,680
Other	118,243
Total	1,708,382

Receivables from contract work arise from credit granted to various businesses located in the Shreveport area. Receivables from the State of Louisiana and Title XIX arise from funds due The Arc under various grants and third party payee arrangements, and which are unpaid as of the end of the fiscal year. Title XIX receivables are presented net of an allowance for estimated denied claims of $207,386.

5. Land, Building, and Equipment

Land, building, and equipment is composed of the following:

Buildings	3,401,864
Improvements	2,029,676
Equipment	3,053,236
Vehicles	634,546
Total depreciable assets	9,119,322
Accumulated depreciation	(7,139,064)
Book value of depreciable assets	1,980,258
Land	437,566
Construction in progress	23,737
Book value of fixed assets	2,441,561

6. Commitments

The Arc leases many of its vehicles and equipment, generally over one to five year terms, under operating lease arrangements. Future minimum lease payments for the years ending June 30 are as follows:

2020	84,872
2021	84,872
2022	31,615
2023	9,166
2024	-
	210,525

7. Other Employee Expenses

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% discretionary employer match for employee contributions up to 2% of employee salary. The Arc made no contributions to this plan for the year ending June 30, 2019.

8. Investments

Investments are summarized as follows:

	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	541,133	546,355	5,222
Equity funds	2,362,483	2,843,550	481,067
Money market funds	445,998	445,998	-
Totals	3,349,614	3,835,903	486,289

Investment income consists of the following:

Interest and dividends	101,247
Net realized gains (losses)	29,532
Net unrealized gains	41,755
Investment management fees	(17,762)
	154,772

9. Line of Credit and Borrowings

The Arc has a line of credit with a local bank, renewed in December 2018, with a maximum borrowing limit of $100,000. The credit line is secured by an investment brokerage account having an estimated market value of $3,835,903 at June 30, 2019. Interest is variable, based on 2.65% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2019.

10. Conditional Promises

Conditional promises consist of the unfunded portions of approved grants, either currently in effect or approved for commencement after June 30, 2019. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately $328,000 at June 30, 2019.

11. Related Party Transactions

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.h, The Arc controls and has a financial or economic interest in Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development. Summarized financial data for this entity follows:

Louisiana Disabled Persons Housing Corporation
Summarized Statements of Net Assets
June 30, 2019

	2019
Current assets	38,829
Fixed assets, net	321,565
Other assets	29,397
Total assets	389,791
Current liabilities	60,757
Long-term debt, less current portion	348,883
Total liabilities	409,640
Net assets (deficit)	(19,849)
Total liabilities and net assets	389,791

Louisiana Disabled Persons Housing Corporation
Summarized Statements of Activities
June 30, 2019

	2019
Income	275,868
Expenses	232,568
Change in net assets	43,300
Net assets (deficit), beginning	(63,149)
Net assets (deficit), ending	(19,849)

11. Related Party Transactions (Continued)

Transactions between all entities related to The Arc are summarized below:

	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	731,475	(69,968)	(645,075)	(16,432)

12. Liquidity and Availability

The Arc manages its financial assets available to meet general operating expenditures with the guiding principle of operating within a prudent range of financial soundness and stability. At June 30, 2019, financial assets (net of applicable donor restrictions) consisting of cash, cash equivalents, and accounts receivable that are available for general operating expenditure within one year of the balance sheet date amounted to $4,072,444. Although not routinely accessed for general operations, the portfolio of marketable securities of $3,835,903 also is available for operating purposes. In addition, a credit facility of $100,000 is in place for borrowing needs.

13. Fair Value Measurements

The following tables present The Arc's fair value hierarchy for assets measured at fair value on a recurring basis:

	Assets at Fair Value as of June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	445,998	-	-	445,998
Equity funds	2,843,550	-	-	2,843,550
Bond funds	546,355	-	-	546,355
Total	3,835,903	-	-	3,835,903

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1). Fair values for other investments are determined by reference to net asset values that are based on other observable inputs (Level 2).

14. Beneficial Interest in Foundation

Beneficial interest represents The Arc's share of net assets available to The Arc from The Arc Foundation, which was created in 1997 to promote and support the purposes of The Arc. Originally organized such that its membership consisted of the board members of The Arc, The Foundation was part of the consolidated financial statements of The Arc. Effective at the beginning of fiscal year 2013, The Foundation's membership was changed to consist only of members of its own board, no more than forty-nine percent of whom may be members of the board of The Arc. As a result, The Arc no longer includes The Foundation in consolidation, but records its share of The Foundation's net assets because it is a financially interrelated organization.

14. Beneficial Interest in Foundation (Continued)

Funds belonging to The Foundation are not automatically available to The Arc, but must be requested for specific purposes through a formal process that The Foundation controls. This process involves a review of amounts available for annual distribution and formal approval of funding requests by The Foundation's board. The Foundation transferred $206,000 to The Arc during the year ended June 30, 2019.

15. Subsequent Events

The Arc and GREAT are required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the consolidated financial statements. Each entity performed such an evaluation through December 19, 2019, the date which the consolidated financial statements were available to be issued, and, except for the information contained in the next sentence, noted no such subsequent events. The Arc assumed the Title XIX programs of HAP House, a local not-for-profit entity, during the summer and fall of 2019.

SUPPLEMENTARY INFORMATION

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2019

	Adult Services	Children Services	Residential Services
Public support and revenue:			
Public support:			
State of Louisiana	67,732	224,527	59,318
Title XIX	1,112,169	-	9,851,027
United Way	-	10,000	-
Contributions	-	71,013	99,666
Service fees	-	466,159	-
Other public support	-	37,622	-
Total public support	1,179,901	809,321	10,010,011
Revenue:			
Sales revenue	3,409,883	-	-
Membership dues	-	-	-
Investment income	-	-	-
Change in interest in Foundation	-	-	-
Other income	38,771	11,872	42,621
Total revenue	3,448,654	11,872	42,621
Total public support and revenue	4,628,555	821,193	10,052,632
Total salaries and payroll related expenses	3,247,680	791,864	7,653,533
Total other expenses before depreciation	876,246	148,614	1,397,907
Total expenses before depreciation	4,123,926	940,478	9,051,440
Depreciation expense	85,508	36,146	116,828
Total expenses	4,209,434	976,624	9,168,268
Change in net assets	419,121	(155,431)	884,364

Leisure Services	Management and General	Total
-	-	351,577
-	-	10,963,196
-	-	10,000
81,383	(662)	251,400
57,338	-	523,497
-	-	37,622
138,721	(662)	12,137,292
-	-	3,409,883
-	5,460	5,460
-	154,772	154,772
-	277,115	277,115
2,376	8,207	103,847
2,376	445,554	3,951,077
141,097	444,892	16,088,369
149,151	903,618	12,745,846
83,560	427,559	2,933,886
232,711	1,331,177	15,679,732
57,361	45,594	341,437
290,072	1,376,771	16,021,169
(148,975)	(931,879)	67,200

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-

ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS

FOR THE YEAR ENDED JUNE 30, 2019

	Adult Services Per Books	Eliminations Increase (Decrease)	Adult Services Per Report
Public support and revenue:			
Public support:			
State of Louisiana	67,732	-	67,732
Title XIX	1,112,169	-	1,112,169
Contributions	-	-	-
Service Fees	210,912	(210,912)	-
Total public support	1,390,813	(210,912)	1,179,901
Revenue:			
Sales revenue	3,409,883	-	3,409,883
Other income	38,771	-	38,771
Total revenue	3,448,654	-	3,448,654
Total public support and revenue	4,839,467	(210,912)	4,628,555
Total salaries and payroll related expenses	3,247,680	-	3,247,680
Total other expenses before depreciation	876,246	-	876,246
Total expenses before depreciation	4,123,926	-	4,123,926
Depreciation expense	85,508	-	85,508
Total expenses	4,209,434	-	4,209,434
Change in net assets	630,033	(210,912)	419,121

Residential Services Per Books	Eliminations Increase (Decrease)	Residential Services Per Report
59,318	-	59,318
9,851,027	-	9,851,027
99,666	-	99,666
-	-	-
10,010,011	-	10,010,011
-	-	-
42,621	-	42,621
42,621	-	42,621
10,052,632	-	10,052,632
7,653,533	-	7,653,533
1,608,819	(210,912)	1,397,907
9,262,352	(210,912)	9,051,440
116,828	-	116,828
9,379,180	(210,912)	9,168,268
673,452	210,912	884,364

THE ARC CADDO-BOSSIER

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

FOR THE YEAR ENDED JUNE 30, 2019

Agency Head: Janet Parker

Salary	90,732
Cell phone	1,118
Car lease	7,535
Travel	2,938
Training	17,617
Conference travel	4,397
Car insurance	2,670

OTHER REPORTS

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 19, 2019

The Board of Directors
The Arc Caddo-Bossier
Shreveport, Louisiana

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*

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 consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated 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 _December 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc Caddo-Bossier's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc Caddo-Bossier's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Arc Caddo-Bossier's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Arc Caddo-Bossier.

2. No significant deficiencies and no material weaknesses relating to the audit of the consolidated financial statements are reported.

3. No instances of noncompliance material to the consolidated financial statements of The Arc Caddo-Bossier were disclosed during the audit.

4. The Arc Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC CADDO-BOSSIER

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2018-01 OFS Support Billings - Resolved

THE ARC CADDO-BOSSIER

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

No findings