

The Arc of Louisiana  
Baton Rouge, Louisiana

AUDITED FINANCIAL STATEMENTS  
June 30, 2018 and 2017



TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES .....	4
STATEMENTS OF FUNCTIONAL EXPENSES .....	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS.....	7
SUPPLEMENTAL SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD, POLITICAL SUBDIVISION HEAD, OR CHIEF EXECUTIVE OFFICER.....	12
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	13
SCHEDULE OF FINDINGS AND RESPONSES .....	15
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES .....	15



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CPAs & Financial Advisors

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Arc of Louisiana  
Baton Rouge, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the Arc of Louisiana (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arc of Louisiana as of June 30, 2018 and 2017, 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 Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, reimbursements, benefits, and other payments to agency head, political subdivision head, or chief executive officer, as required by Louisiana Revised Statute 24:513(A)(3), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 28, 2018, on our consideration of the Arc of Louisiana's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arc of Louisiana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arc of Louisiana's internal control over financial reporting and compliance.

# TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
December 28, 2018



The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2018 and 2017

2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Public Support	\$ 56,220	\$ -	\$ -	\$ 56,220
Contract Revenue	1,120,092	-	-	1,120,092
Program Service Revenue	98,757	-	-	98,757
Interest Income	86	-	-	86
Change in Net Assets of the Foundation	16,949	-	-	16,949
Miscellaneous	17,637	-	-	17,637
<b>Total Support and Revenue</b>	<b>1,309,741</b>	<b>-</b>	<b>-</b>	<b>1,309,741</b>
Net Assets Released From Restrictions	-	-	-	-
<b>Total Unrestricted Revenues and Support</b>	<b>1,309,741</b>	<b>-</b>	<b>-</b>	<b>1,309,741</b>
<b>EXPENSES</b>				
Program Services	985,244	-	-	985,244
Management and General	264,290	-	-	264,290
<b>Total Expenses</b>	<b>1,249,534</b>	<b>-</b>	<b>-</b>	<b>1,249,534</b>
Changes in Net Assets	60,207	-	-	60,207
Net Assets - Beginning of Year	871,838	-	1,219,210	2,091,048
Net Assets - End of Year	<u>\$ 932,045</u>	<u>\$ -</u>	<u>\$ 1,219,210</u>	<u>\$ 2,151,255</u>

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 52,004	\$ -	\$ -	\$ 52,004
1,075,739	-	-	1,075,739
92,543	-	-	92,543
84	-	-	84
19,772	-	-	19,772
3,965	-	-	3,965
<u>1,244,107</u>	<u>-</u>	<u>-</u>	<u>1,244,107</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,244,107</u>	<u>-</u>	<u>-</u>	<u>1,244,107</u>
<u>983,757</u>	<u>-</u>	<u>-</u>	<u>983,757</u>
<u>208,748</u>	<u>-</u>	<u>-</u>	<u>208,748</u>
<u>1,192,505</u>	<u>-</u>	<u>-</u>	<u>1,192,505</u>
51,602	-	-	51,602
<u>820,236</u>	<u>-</u>	<u>1,219,210</u>	<u>2,039,446</u>
<u>\$ 871,838</u>	<u>\$ -</u>	<u>\$ 1,219,210</u>	<u>\$ 2,091,048</u>

The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2018 and 2017

EXPENSES	2018			
	Program Services	Management and General	Fundraising	Total
Bad Debt Expense	\$ 1,458	\$ -	\$ -	\$ 1,458
Conventions	-	15,297	-	15,297
Depreciation and Amortization	110	332	-	442
Direct Program Services	730,085	-	-	730,085
Dues and Subscriptions	15	7,806	-	7,821
Employee Benefits	12,969	18,798	-	31,767
Insurance Expense	-	2,266	-	2,266
Janitorial Services	500	500	-	1,000
Marketing	-	7,330	-	7,330
Meetings	-	1,048	-	1,048
Miscellaneous	-	955	-	955
Payroll Taxes	8,302	10,806	-	19,108
Postage	264	159	-	423
Professional Services	27,535	16,886	-	44,421
Rental Expense	22,023	22,023	-	44,046
Repairs and Maintenance	3,039	6,068	-	9,107
Salaries	101,011	138,675	-	239,686
Supplies and Printing	1,886	3,113	-	4,999
Telephone	2,287	3,027	-	5,314
Training	62,212	-	-	62,212
Travel	7,473	5,126	-	12,599
Utilities	4,075	4,075	-	8,150
	\$ 985,244	\$ 264,290	\$ -	\$ 1,249,534

2017

Program Services	Management and General	Fundraising	Total
\$ -	\$ -	\$ -	\$ -
52	3,605	-	3,657
1,022	305	-	1,327
786,740	-	-	786,740
-	7,180	-	7,180
21,220	16,464	-	37,684
-	1,266	-	1,266
563	563	-	1,126
-	-	-	-
-	1,145	-	1,145
2,975	971	-	3,946
9,509	7,963	-	17,472
332	105	-	437
24,077	16,034	-	40,111
22,402	22,139	-	44,541
3,154	3,447	-	6,601
102,370	113,763	-	216,133
1,136	1,631	-	2,767
2,459	3,457	-	5,916
-	-	-	-
2,276	5,240	-	7,516
3,470	3,470	-	6,940
<u>\$ 983,757</u>	<u>\$ 208,748</u>	<u>\$ -</u>	<u>\$ 1,192,505</u>

The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 60,207	\$ 51,602
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	442	1,327
Change in Beneficial Interest of Foundation	(16,949)	(19,772)
(Increase) Decrease in Operating Assets:		
Contracts Receivable	(15,953)	59,700
Due from the Foundation	(628)	(14,435)
Receivables - Other	(8,800)	2,079
Prepaid Expenses	48	3,967
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Other Accrued Liabilities	14,096	1,916
Net Cash Provided by Operating Activities	<u>32,463</u>	<u>86,384</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments Received from Affiliated Chapter	-	27,500
Net Cash Provided by Investing Activities	<u>-</u>	<u>27,500</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>32,463</b>	<b>113,884</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b><u>423,830</u></b>	<b><u>309,946</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 456,293</u></b>	<b><u>\$ 423,830</u></b>

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

**NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** - The Arc of Louisiana (the Organization) is an organization that advocates with and for all people with intellectual and developmental disabilities and their families so that they shall live to their fullest potential.

**Basis of Accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation** - The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets* are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Temporarily Restricted Net Assets* are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. There were no temporarily restricted net assets as of June 30, 2018 and 2017.

*Permanently Restricted Net Assets* are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. Approximately 77% and 78% of the beneficial interest in the Foundation is permanently restricted as of June 30, 2018 and 2017, respectively.

**Revenue Recognition** - Support and revenue received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any restrictions.

**Donated Assets** - Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. There were no donated assets for the years ended June 30, 2018 and 2017.

**Donated Services** - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. A significant portion of the Organization's functions are conducted by unpaid volunteers. There were no donated services for the years ended June 30, 2018 and 2017.

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Property and Equipment – Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. There were no donated property and equipment for the years ended June 30, 2018 and 2017.

Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Contract Receivable – Contracts receivable represents amounts owed to the Organization for costs incurred under various contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2018 and 2017.

Furniture and Equipment – All acquisitions of furniture and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 7 years. Depreciation expense was \$442 and \$1,327 for the years ended June 30, 2018 and 2017.

Membership Dues – The Organization receives membership dues from 21 Arc chapters throughout Louisiana. These dues are recognized as revenue in the applicable membership period.

Advertising – The Organization uses advertising to promote its programs. The costs of advertising are expenses as incurred. During the years ended June 30, 2018 and 2017, no advertising expenses were recorded.

Functional Allocation of Expenses – The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.



THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. The Organization has no unrelated business income for the fiscal years ended June 30, 2018 and 2017. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse on the Organization’s financial condition, results of operations, or cash flows. The Organization’s tax returns are subject for review for the years ended June 30, 2015, 2016, and 2017.

NOTE 2: BENEFICIAL INTEREST IN THE ARC OF LOUISIANA FOUNDATION

The Organization has a beneficial interest in the Arc of Louisiana Foundation (the Foundation). The Organization recognizes the beneficial interest in the Foundation using the equity method of accounting. As of June 30, 2018 and 2017, the beneficial interest in the Foundation was \$1,582,603 and \$1,565,654, respectively.

The activity in the beneficial interest in the Foundation consisted of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 1,565,654	\$ 1,545,882
Add: Support and Revenue	92,089	94,285
Less: Operating Expenses	(75,140)	(74,513)
Balance at End of Year	<u>\$ 1,582,603</u>	<u>\$ 1,565,654</u>

The donor-restricted endowment funds are measured at fair value. The following table sets forth a summary of changes in the fair value of the level 3 assets for the year end June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at Beginning of Year	\$ 1,251,752	\$ 1,222,669
Add: Support and Revenue	72,950	68,480
Less: Operating Expenses	(26,142)	(39,325)
Balance at End of Year	<u>\$ 1,298,560</u>	<u>\$ 1,251,752</u>

For the years ended June 30, 2018 and 2017, \$1,219,210 is permanently restricted for each year based on the terms of the donor-restricted endowment received by the Foundation. The endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return consisting of 60% stocks, 30% bonds, and 10% alternative-hedged strategies. Appropriation of the endowment assets for spending shall require a two-thirds favorable vote of both the Foundation Board and the Organization’s Board.

THE ARC OF LOUISIANA  
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Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 3: PENSION CONTRIBUTION

The Organization offers its employees the opportunity to enroll in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. This plan allows employees, at their option, to make contributions using payroll deductions. The Organization contributes 6% of the employee's eligible compensation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Total plan expenses for the years ended June 30, 2018 and 2017 were \$11,958 and \$11,350, respectively.

NOTE 4: RESTRICTIONS ON NET ASSETS

The Organization's board of directors has not chosen to place any limitations on unrestricted net assets.

Permanently restricted net assets at June 30, 2018 and 2017 are restricted to the terms of an endowment received by the Foundation (See Note 2).

NOTE 5: RELATED PARTY TRANSACTIONS

The Organization and the Arc of Louisiana Foundation (the Foundation) are affiliated organizations. Some board members of the Organization also serve on the board of the Foundation. The Foundation owns the facility in which the organizations share office space and accounting personnel. The Organization includes \$36,000 in rental expense for each of the years ended June 30, 2018 and 2017. There is no lease on the facility as the organizations periodically determine an agreed upon annual rent.

The Foundation also donates additional amounts to the Organization based on specific needs. Additional donations made for the years ended June 30, 2018 and 2017 were \$12,800 and 12,000, respectively.

In addition, the Organization and the Foundation share the costs of some joint activities. The types of expenses that are incurred by both organizations include salaries, payroll taxes, insurance, office supplies, telephone, postage, and printing. The organizations allocate expenses based on actual costs and an estimate of usage. The Arc of Louisiana recognized \$6,000 of income from the Foundation for these joint costs for each of the years ended June 30, 2018 and 2017.

As of June 30, 2018 and 2017, the Organization has a receivable from the Foundation of \$22,000 and \$21,372, respectively. The Organization paid for \$8,095 in primarily insurance, audit, and maintenance and repair expenses for the Foundation for the year ended June 30, 2018. The Arc received payments during 2018 of \$13,467 and \$10,000 representing expense reimbursements from the Foundation for June 30, 2018 and 2017, respectively.

NOTE 6: CONCENTRATIONS

Custodial Credit Risk – The Organization maintains its cash balances in two financial institutions located in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At various times of the year, the Organization may have cash in banks in excess of these federally insured amounts.

Revenue – During the years ended June 30, 2018 and 2017, the Organization received approximately 66% and 75%, respectively, of its total revenue from one contract.

THE ARC OF LOUISIANA  
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Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 28, 2018, the date the financial statements were available to be issued, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.



The ARC of Louisiana  
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Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS, AND OTHER PAYMENTS TO  
AGENCY HEAD, POLITICAL SUBDIVISION HEAD, OR CHIEF EXECUTIVE OFFICER  
(See Independent Auditors' Report)  
Year Ended June 30, 2018

Agency Head: Kelly Monroe, Executive Director

Agency head's compensation was funded 100% by operating revenues other than state generated funds.

Board Members were not paid in non-employee or employee compensation for attending board meetings.



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*

To the Board of Directors of  
The Arc of Louisiana  
Baton Rouge, Louisiana

We have audited, 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, the financial statements of The ARC of Louisiana (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2018.

#### **Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Arc of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arc of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arc of Louisiana'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 to 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Arc of Louisiana'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*.

**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.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
December 28, 2018



TWRU

CPAs & Financial Advisors

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2018

SUMMARY OF AUDITORS' REPORTS

Financial Statements:

Type of report issued the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified Opinion

Internal Control over Financial Reporting:

Material Weakness(es) Identified No

Significant Deficiency(ies) Identified No

Noncompliance Material to Financial Statements Noted No

FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None reported.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2017

None reported.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of The ARC of Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by The ARC of Louisiana (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

**Written Policies and Procedures**

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget  
*No Exceptions Noted.*
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.  
*Exception:* Did not address how vendors are added to the vendor list.  
*Management Correction/Response:* Management will update policy to include how vendors are added to vendor list.
  - c) **Disbursements**, including processing, reviewing, and approving  
*No Exceptions Noted.*
  - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).  
*No Exceptions Noted.*
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.  
*No Exceptions Noted.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process  
*No Exceptions Noted.*
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)  
*No Exceptions Noted.*
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers  
*No Exceptions Noted.*
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.  
*Not Applicable.*
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.  
*Not Applicable.*

#### **Board or Finance Committee**

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- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.  
*Exception:* The Board met 3 times during the year, which is not in accordance with its legislation of meeting on a quarterly basis.  
*Management Correction/Response:* Electronic communication confirmed that a quorum of board members was not available for a regularly scheduled meeting.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.  
*No Exceptions Noted.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*Not Applicable.*

### **Bank Reconciliations**

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);  
*No Exception Noted.*
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and  
*Exception:* Reconciliations were initialed but not dated.  
*Management Correction/Response:* Procedures have been updated to include a date signoff.
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.  
*Exception:* 11 outstanding checks and no documentation that they were researched.  
*Management Correction/Response:* Management is researching the process for submitting the checks to unclaimed property.

### **Collections**

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4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.  
*No Exception Noted.*
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.  
*No Exception Noted.*

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.  
*No Exception Noted.*
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.  
*No Exception Noted.*
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.  
*No Exception Noted.*
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.  
*Exception:* The entity does not use receipts for deposits since most of the collections are mailed checks.  
*Management Correction/Response:* Receipts are unnecessary and impractical for the collections because payments are made by mail in response to invoices.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.  
*Exception:* Two of the deposits did not have collection documentation.  
*Management Correction/Response:* Exceptions occurred prior to the change of procedures.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.  
*No Exceptions Noted.*
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).  
*Exception:* Two of the deposits did not have collection documentation and one deposit that did have collection documentation was made 5 business days after the collection date.  
*Management Correction/Response:* Exceptions occurred prior to the change of procedures.
  - e) Trace the actual deposit per the bank statement to the general ledger.  
*No Exception Noted.*

**Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.  
**Exception:** Per the written policies and procedures, the entity does not require the use of purchase orders due to the limited number of staff, but verbal approval is required for all purchases.  
**Management Correction/Response:** Management agrees with the exception.
  - b) At least two employees are involved in processing and approving payments to vendors.  
**No Exception Noted.**
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.  
**Exception:** The employee responsible for processing payments is not prohibited from adding/modifying vendor files.  
**Management Correction/Response:** A contract CPA processes payments with the quickbooks software, due to limited staffing.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.  
**No Exception Noted.**
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
  - a) Observe that the disbursement matched the related original invoice/billing statement.  
**No Exception Noted.**
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.  
**Exception:** One of the electronic payments did not show management approval. One of the manual checks was over \$2,500 but did not have the additional board member signature required by policies and procedures.  
**Management Correction/Response:** Occasionally, the Organization is unable to obtain multiple signatures due to vacations or urgency of check processing.

#### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

**Exception:** Statement was reviewed and approved by the Executive Director who is also an authorized card holder.

**Management Correction/Response:** Limited staffing does not allow for alternative reviewers.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

**No Exception Noted.**

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**Exception:** One of the ten transactions tested did not have a receipt.

**Management Correction/Response:** Despite our efforts to maintain all receipt copies, occasionally receipts are misplaced.

#### Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

**Not Applicable.**

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

**Not Applicable.**

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

**No Exception Noted.**

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Exception:** The Executive Directors' travel reimbursement was not approved by someone else.

**Management Correction/Response:** Internal procedures have been updated to implement a second signature.

## Contracts

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.  
*Not Applicable.*
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).  
*Not Applicable.*
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.  
*Not Applicable.*
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.  
*No Exception Noted.*

## Payroll and Personnel

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.  
*Exception:* Three of the employees tested did not have authorized pay raise information in their personnel file.  
*Management Correction/Response:* Two of the identified employee raises were adopted as part of the budget accepted by the Board in July 2017. Management will make changes to their personnel policy in the future.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)  
*No Exception Noted.*
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.  
*No Exception Noted.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

***No Exception Noted.***

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

***Only one employee was terminated during the year, therefore only one employee could be selected for testing. No Exception Noted.***

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

***No Exception Noted.***

### **Ethics**

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20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

***Not Applicable.***

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

***Not Applicable.***

### **Debt Service**

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

***Not Applicable.***

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

***Not Applicable.***

## Other

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*No Exception Noted.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No Exception Noted.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
December 28, 2018