

**THE ARC – IBERVILLE, INC.
PLAQUEMINE, LOUISIANA
ANNUAL FINANCIAL REPORT**

JUNE 30, 2017

**THE ARC – IBERVILLE, INC.
PLAQUEMINE, LOUISIANA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Arc – Iberville, Inc.

We have audited the accompanying financial statements of The Arc – Iberville, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT, Continued

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 – Iberville, Inc. as of June 30, 2017, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of compensation of board members and schedule of compensation, benefits, and other payments to agency head on pages 14 through 15 are presented for purposes of additional analysis and are not a required part of the basic 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 21, 2017 on our consideration of The Arc – Iberville Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 – Iberville, Inc.'s internal control over financial reporting and compliance.

Baxley & Associates, LLC

Plaquemine, Louisiana
December 21, 2017

FINANCIAL STATEMENTS

**THE ARC - IBERVILLE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS

Current Assets	
Cash and cash equivalents	\$ 634,524
Certificates of deposit	421,400
Due from other agencies	148,575
Prepaid expense	2,654
Other assets	606
Total Current Assets	1,207,759
Property and Equipment	
Vehicles	119,287
Furniture and fixtures	36,852
Buildings	10,609
	166,748
Less accumulated depreciation	(126,282)
Total Property and Equipment	40,466
Other Assets	
Utility deposit	400
TOTAL ASSETS	\$ 1,248,625

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 1,261
Payroll taxes withheld and accrued	118
Total Current Liabilities	1,379
Long-term liabilities	
Line of credit - Plaquemine Bank and Trust Co.	50,000
Total Liabilities	51,379
Net Assets:	
Unrestricted	1,197,246
Total Net Assets	1,197,246
TOTAL LIABILITIES AND NET ASSETS	\$ 1,248,625

The accompanying notes are an integral part of this statement.

**THE ARC - IBERVILLE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Total</u>	<u>Administration</u>	<u>Vocational</u>	<u>Supervised Living/PCA & Respite</u>
REVENUES AND OTHER SUPPORT, UNRESTRICTED				
Public Support:				
Iberville Parish Council	\$ 30,000	\$ -	\$ 30,000	\$ -
Office of Community Services, Div. of Rehabilitation Services	8,576	-	8,576	-
Capital Area United Way Allocation	74,500	-	29,000	45,500
Structured Work Program	3,597	-	3,597	-
Contributions	8,102	8,102	-	-
Medicaid	1,121,343	-	307,775	813,568
Other Revenues:	-			
Interest	5,814	5,814	-	-
Recycling Vendors	19	-	19	-
Vending Machines	2,534	427	2,107	-
In-Kind	47,231	47,231	-	-
Membership Dues	40	40	-	-
Miscellaneous	259	87	86	86
TOTAL REVENUES AND OTHER SUPPORT, UNRESTRICTED	<u>1,302,015</u>	<u>61,701</u>	<u>381,160</u>	<u>859,154</u>
EXPENSES				
Salaries	860,302	123,018	188,589	548,695
Payroll Taxes	65,130	9,231	14,384	41,515
Repairs and Maintenance	10,717	3,567	3,601	3,549
Professional fees	10,420	4,504	2,958	2,958
Gifts/Donations	2,142	2,064	39	39
Supplies	13,876	4,763	4,695	4,418
Telephone	9,751	3,050	3,342	3,359
Postage	299	152	70	77
(Continued)				

The accompanying notes are an integral part of this statement.

**THE ARC - IBERVILLE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

EXPENSES	<u>Total</u>	<u>Administration</u>	<u>Vocational</u>	<u>Supervised Living/ PCA & Respite</u>
Travel	13,417	1,648	10,745	1,024
Dues	51	17	17	17
Miscellaneous	4,349	512	1,823	2,014
Depreciation	19,994	19,994	-	-
Licenses	864	298	283	283
Insurance	95,933	43,954	34,225	17,754
Security	1,149	383	383	383
Training and Workshops	1,210	118	374	718
In-Kind	47,231	47,231	-	-
Bad Debts	32,001	-	-	32,001
Affiliations	5,120	3,855	632	633
Rent	6,885	1,305	4,353	1,227
TOTAL EXPENSES	<u>1,200,841</u>	<u>269,664</u>	<u>270,513</u>	<u>660,664</u>
CHANGE IN NET ASSETS	101,174	(207,963)	110,647	198,490
NET ASSETS, BEGINNING	<u>1,096,072</u>	<u>(3,738,998)</u>	<u>541,483</u>	<u>4,293,587</u>
NET ASSETS, ENDING	<u><u>\$ 1,197,246</u></u>	<u><u>\$ (3,946,961)</u></u>	<u><u>\$ 652,130</u></u>	<u><u>\$ 4,492,077</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

**THE ARC - IBERVILLE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) in net assets	\$ 101,174
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	19,994
(Increase) in accounts receivable	(34,781)
Decrease in prepaid expense	2,535
(Decrease) in accounts payable	(2,046)
(Decrease) in payroll taxes withheld and accrued	(1,060)
	<u>85,816</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

85,816

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	(4,500)
Net (increase) in certificates of deposit	(4,705)
	<u>(9,205)</u>

NET CASH USED IN INVESTING ACTIVITIES

(9,205)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

76,611

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

557,913

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 634,524

Supplemental Data

Interest paid

\$ -

The accompanying notes are an integral part of this statement.

**THE ARC – IBERVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Arc – Iberville, Inc. (the Arc) is a Louisiana nonprofit organization that was formed to provide service needs for persons with intellectual and developmental disabilities and handicapped persons of Iberville Parish.

Nature of Services

The Arc offers the following service programs:

- Adult Day Care is a day program for citizens of Iberville Parish who are developmentally disabled. The service provides opportunities for people (age 22 and over) with intellectual and developmental disabilities to become more independent, integral, and productive members of society. Services include work adjustment training, community life enrichment, and paid work experience.
- Vocational program services are provided by the Arc to develop and create employment opportunities for individuals (age 16 or older) with disabilities through partnership with Louisiana Rehabilitation Services. Provides vocational assessments, job readiness skills, job placement, and training service and follow-up services.
- Supervised Living/Personal Care Assistance (PCA) and Respite services provide relief for the primary care providers of children and adults with developmental disabilities, from the everyday care, whether it's physical assistance or accompanying on outings. The support may occur in the individual's home, in the community, or in the Respite Center. It may occur regularly or the family may only request assistance in an emergency situation. The primary objective of Respite is to help prevent or delay institutionalization of individuals with developmental disabilities.

Reporting Entity

The Arc is not a component unit of another primary government nor does it have any component units which are related to it. Therefore, the Arc has presented its financial statements as a separate special-purpose entity.

Basis of Accounting

The financial statements are prepared on the accrual basis wherein revenues are recognized when earned and expenses are recognized when incurred.

**THE ARC – IBERVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Arc considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair value in the statement of financial position. Unrealized gains/losses are included in changes in net assets.

Accounts Receivable and Bad Debt

Management considers accounts receivable that are more than 30 days to be past due. Additionally, management has determined that accounts receivable that are more than one year old may not be collectible. Therefore, the reserve for uncollectible accounts is based upon the balance of receivables that are more than one year old. At June 30, 2017, management considers all accounts receivable collectible.

Property and Equipment and Depreciation

Property and equipment is stated at cost unless donated. Donated property and equipment is stated at fair market value as of the date of the gift. The Arc's policy has set the capitalization threshold for reporting property and equipment at \$1,000. Depreciation is charged to operations using the straight-line method over the estimated useful lives as follows:

Buildings	30-40 years
Vehicles	5 years
Furniture and fixtures	5-10 years

Revenues

The majority of the Arc's revenue is derived from third-party reimbursement arrangements. The revenues and the allowance of related expenditures are subject to audits by the granting agencies.

Expenses

Expenses are charged directly to programs in categories based on specific identification. Indirect expenses have been allocated based on total expenses for each program.

**THE ARC – IBERVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Arc is a nonprofit organization that is exempt from incomes taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Therefore, the Arc has not recorded a provision for income taxes in the accompanying financial statements and the Arc does not have any uncertain tax positions. The Arc files a federal tax return with the Internal Revenue Service.

Prepaid Expenses

Payments to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid expenses.

Financial Statement Presentation

The Arc has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Arc is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Arc is required to present a statement of cash flows. As permitted by the Statement, the Arc has discontinued its use of fund accounting.

Contributions

The Arc has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CERTIFICATES OF DEPOSIT

At June 30, 2017, the carrying amount (book balance) of the Organization's deposits was \$1,055,924 and the bank balance was \$1,060,179. FDIC coverage is \$250,000 per depositor per bank. At June 30, 2017, the Arc's uninsured bank balance totaled \$810,179.

**THE ARC – IBERVILLE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE C – DUE FROM OTHER AGENCIES

Due from other agencies at June 30, 2017 consisted of the following:

Medicaid	\$ 146,575
Iberville Parish Council	<u>2,000</u>
TOTAL DUE FROM OTHER AGENCIES	<u>\$ 148,575</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment is scheduled as follows:

	<u>6/30/2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>6/30/2017</u>
Vehicles	\$ 119,287	\$ -	\$ -	\$ 119,287
Furniture and fixtures	32,352	4,500	-	36,852
Buildings	10,609	-	-	10,609
	<u>162,248</u>	<u>4,500</u>	<u>-</u>	<u>166,748</u>
Accumulated depreciation	<u>(106,288)</u>	<u>\$ (19,994)</u>	<u>\$ -</u>	<u>(126,282)</u>
Total Property and Equipment	<u>\$ 55,960</u>			<u>\$ 40,466</u>

Depreciation expense was \$19,994 for the year ended June 30, 2017.

NOTE E – OPERATING LEASES

The Arc leases the facility that is used for Our Brother's Keeper as a Sorting House. Rental expenses under the lease for the year ended June 30, 2017 were \$5,400. Future minimum lease commitments as of June 30, 2017 are payable as follows:

<u>Years</u>	<u>Amount</u>
2018	<u>\$ 5,400</u>
Total	<u>\$ 5,400</u>

NOTE F – CONCENTRATION

The Arc also received a considerable amount of its total support and revenues from Medicaid for services provided to clients. During the year ended June 30, 2017, the Arc received \$1,121,343 from Medicaid, which was 86% of total revenues.

THE ARC – IBERVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – LINE OF CREDIT

In February 2015, the Arc obtained a \$50,000 unsecured line of credit from Plaquemine Bank and Trust Company as set forth by the Louisiana Department of Health and Hospitals. Interest is payable monthly on any outstanding balances at an interest rate of 2.3% and has a maturity date of February 26, 2020. There was no activity on the line of credit in the current year.

NOTE H – IN-KIND DONATIONS

The Arc received in-kind donations of various assets and services in connection with the delivery of its programs. The fair value of the in-kind donations is recorded as revenues and expenses on the financial statements. In-kind donations recognized for the year ended June 30, 2017 are as follows:

	<u>2017</u>
Office space	\$ 31,350
Utilities	15,881
Total In-Kind	<u>\$ 47,231</u>

NOTE I – ACCOUNTING FOR UNCERTAIN TAX POSITIONS

On January 1, 2009, the Arc adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. The implementation of this Topic had no impact on the statement of financial position or statement of activities.

All tax returns have been appropriately filed by the Arc. The Arc recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Arc's tax filings are subject to audit by various taxing authorities. The Arc's open audit periods are 2015 through 2017. Management evaluated the Arc's tax position and concluded that the Arc has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE J – RELATED PARTY

On October 10, 2014, The Arc – Iberville, Inc. entered into a lease agreement with Wilbert Rental, LLC to lease a building in Plaquemine, Louisiana to run Our Brother's Keeper as a Sorting House. Anna Breaux, a board member of the Arc, is the managing member of Wilbert Rental, LLC. The total amount of rent paid to Wilbert Rental, LLC for the year ended June 30, 2017 was \$5,400.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2017, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

THE ARC - IBERVILLE, INC.
 SCHEDULE OF COMPENSATION FOR BOARD MEMBERS
 FOR THE YEAR ENDED JUNE 30, 2017

<u>Board Members</u>	<u>2017</u>
David Gassie, President	\$ -
Anne Reeves, Vice President	-
Stacey Morales, Secretary	-
Yolanda Laws, Treasurer	-
Beverly Engolio	-
Jocelyn Lamothe	-
Steve Smith	-
Steele Loubiere	-
Anna Breaux	-
Mickey Wilbert	-
Mickey Rivet	-
Edward "Lucky" Songy	-
Total	<u>\$ -</u>

SCHEDULE 2

THE ARC - IBERVILLE, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: Elizabeth Fussell

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 70,000
Benefits - insurance	3,822
Benefits - retirement	-
Car allowance	-
Travel	-
Registration fees	225
Conference Travel	491
	<u>\$ 74,538</u>

OTHER REPORTS

BAXLEY AND ASSOCIATES, LLC

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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

Board of Directors
The Arc – Iberville, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc – Iberville, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2017-001 and 2017-002).

**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 (continued)**

Compliance and Other Matters

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

The Arc – Iberville, Inc.'s Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Baxley & Associates, LLC

Plaquemine, Louisiana
December 21, 2017

**THE ARC – IBERVILLE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unmodified opinion on the financial statements of The Arc – Iberville, Inc., as of and for the year ended June 30, 2017.
2. There were two deficiencies in internal control over financial reporting disclosed during the audit of the financial statements. The deficiencies are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of The Arc – Iberville, Inc. were disclosed during the audit.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2017-001 INADEQUATE SEGREGATION OF DUTIES

Condition:

Due to the limited number of personnel performing administrative functions, the Arc – Iberville, Inc. does not have adequate segregation of duties within its accounting and financial functions.

Criteria:

Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Arc – Iberville's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements.

Effect:

Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud may occur and not be prevented and/or detected.

Recommendation:

Management should evaluate the additional costs to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

Management's Response:

Management realized there were problems with accounting practices and made a change to move the accounting processes to qualified staff at the Arc of Baton Rouge. The Arc of Baton Rouge accounting staff took over these processes in November 2017. Staff is in the process of making corrections to ongoing problems found.

THE ARC – IBERVILLE, INC.
SCHEDULE OF FINDINGS AND RESPONSES (continued)
YEAR ENDED JUNE 30, 2017

Management's Response (continued):

In December 2017, management interviewed a CPA that is interested in handling the accounting processes with a possible start date of January 2018. A second interview will be conducted and a decision will be made to put these practices and principles in place. CPOSource Louisiana, LLC will offer segregation of duties as well as GAAP with the expertise of the CPA. The Arc of Baton Rouge staff will continue to provide accounting services throughout the transition.

2017-002 APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Condition:

The Arc – Iberville, Inc. does not have employees with sufficient expertise and training to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria:

Year-end adjusting journal entries were not made to the financial statements to ensure that the statements were prepared in accordance with generally accepted accounting principles.

Effect:

Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. AU-C 265 requires that we report the above condition as a control deficiency. It does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

Management's Response:

Management realized there were problems with accounting practices and made a change to move the accounting processes to qualified staff at the Arc of Baton Rouge. The Arc of Baton Rouge accounting staff took over these processes in November 2017. Staff is in the process of making corrections to ongoing problems found.

In December 2017, management interviewed a CPA that is interested in handling the accounting processes with a possible start date of January 2018. A second interview will be conducted and a decision will be made to put these practices and principles in place. CPOSource Louisiana, LLC will offer segregation of duties as well as GAAP with the expertise of the CPA. The Arc of Baton Rouge staff will continue to provide accounting services throughout the transition.

**THE ARC – IBERVILLE, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2017**

There were no findings in the prior audit year.