

**ASSOCIATION FOR RETARDED
CITIZENS/OUACHITA**

**Financial Statements
As of and for the Years Ended
June 30, 2017 and 2016**

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

**Financial Statements
As of and for the Years Ended
June 30, 2017 and 2016**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report -----	1

FINANCIAL STATEMENTS

Statements of Financial Position	
June 30, 2017-----	4
June 30, 2016 -----	5
Statements of Activities	
For the Year Ended June 30, 2017 -----	6
For the Year Ended June 30, 2016 -----	7
Statements of Functional Expenses	
For the Year Ended June 30, 2017 -----	8
For the Year Ended June 30, 2016 -----	10
Statements of Cash Flows -----	12
Notes to Financial Statements -----	13

SUPPLEMENTAL INFORMATION

Schedule 1 - Combining Schedule of Financial Position -----	21
Schedule 2 - Combining Schedule of Activities -----	23
Schedule 3 - Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer -----	27
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> -----	28
Schedule of Findings and Responses -----	30

HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors Association for Retarded Citizens/Ouachita Monroe, Louisiana

We have audited the accompanying financial statements of the **Association for Retarded Citizens/Ouachita** (a non-profit organization, the Association), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**The Board of Directors
Association for Retarded Citizens/Ouachita**

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

Opinion

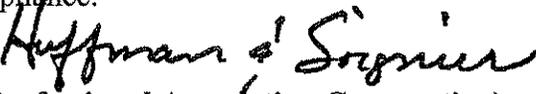
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1, 2, and 3 as listed in the table of contents under supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 aspects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the Association's internal control over financial reporting and 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 do not provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.


(A Professional Accounting Corporation)
December 29, 2017

FINANCIAL STATEMENTS

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Financial Position

	June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
Assets			
Cash	\$ 505,726	\$ -	\$ 505,726
Accounts receivable:			
Intergovernmental	283,175	-	283,175
Services	72,182	-	72,182
Contributions and grants	-	-	-
United Way	-	179,624	179,624
Other	6,754	-	6,754
Land, building and equipment	1,098,140	155,422	1,253,562
Accumulated depreciation	(662,555)	(57,152)	(719,707)
Prepaid expenses	1,706	-	1,706
Other deposits	26,930	-	26,930
	<hr/>	<hr/>	<hr/>
Total assets	\$ <u>1,332,058</u>	\$ <u>277,894</u>	\$ <u>1,609,952</u>
 Liabilities and net assets			
Liabilities			
Accounts payable	\$ 38,560	\$ -	\$ 38,560
Accrued payroll and taxes	74,579	-	74,579
Deferred revenue	13,850	-	13,850
Notes payable	253,192	-	253,192
Total liabilities	<hr/> 380,181	<hr/> -	<hr/> 380,181
 Net Assets			
Unrestricted	951,877	-	951,877
Temporarily restricted	-	277,894	277,894
Total net assets	<hr/> 951,877	<hr/> 277,894	<hr/> 1,229,771
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ <u>1,332,058</u>	\$ <u>277,894</u>	\$ <u>1,609,952</u>

The accompanying notes are an integral part of these statements.

June 30, 2016

Unrestricted	Temporarily Restricted	Total
\$ 658,054	\$ -	\$ 658,054
295,668	-	295,668
61,659	-	61,659
600	-	600
-	186,956	186,956
5,006	-	5,006
1,088,372	76,806	1,165,178
(596,975)	(44,049)	(641,024)
2,837	-	2,837
1,043	-	1,043
<u>\$ 1,516,264</u>	<u>\$ 219,713</u>	<u>\$ 1,735,977</u>
\$ 46,135	\$ -	\$ 46,135
165,263	-	165,263
1,778	-	1,778
271,200	-	271,200
<u>484,376</u>	<u>-</u>	<u>484,376</u>
1,031,888	-	1,031,888
-	219,713	219,713
<u>1,031,888</u>	<u>219,713</u>	<u>1,251,601</u>
<u>\$ 1,516,264</u>	<u>\$ 219,713</u>	<u>\$ 1,735,977</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Activities For the Years Ended

	June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Intergovernmental	\$ 3,309,318	\$ -	\$ 3,309,318
Charges for services	393,271	-	393,271
Contributions and grants	176,307	98,270	274,577
United Way allocation	-	191,153	191,153
Membership dues	139,642	-	139,642
Contributions and net revenue from			
Special events			
Contributions	6,678	-	6,678
Costs of direct benefits to donors	-	-	-
Other revenues	11,082	-	11,082
Total	4,036,298	289,423	4,325,721
Net assets released from restrictions	231,242	(231,242)	-
Revenues, gains and other support	4,267,540	58,181	4,325,721
Expenses			
Program services			
Supported employment	616,874	-	616,874
Day habilitation	190,792	-	190,792
Supported work contracts	230,829	-	230,829
Supported living	2,139,269	-	2,139,269
Community home			
Mallard Home	260,385	-	260,385
Early Intervention	294,435	-	294,435
Total program services	3,732,584	-	3,732,584
Supporting services			
Management and general	504,973	-	504,973
Fundraising	109,994	-	109,994
Total supporting services	614,967	-	614,967
Total expenses	4,347,551	-	4,347,551
Increase (decrease) in net assets	(80,011)	58,181	(21,830)
Net assets at beginning of year	1,031,888	219,713	1,251,601
Net assets at end of year	\$ 951,877	\$ 277,894	\$ 1,229,771

The accompanying notes are an integral part of these statements.

June 30, 2016		
Unrestricted	Temporarily Restricted	Total
\$ 3,376,621	\$ -	\$ 3,376,621
360,685	-	360,685
249,642	32,757	282,399
-	196,797	196,797
47,575	-	47,575
4,732	-	4,732
(85)	-	(85)
366	-	366
<u>4,039,536</u>	<u>229,554</u>	<u>4,269,090</u>
<u>210,387</u>	<u>(210,387)</u>	<u>-</u>
4,249,923	19,167	4,269,090
658,293	-	658,293
113,607	-	113,607
261,361	-	261,361
2,061,302	-	2,061,302
240,748	-	240,748
303,019	-	303,019
<u>3,638,330</u>	<u>-</u>	<u>3,638,330</u>
558,409	-	558,409
105,269	-	105,269
<u>663,678</u>	<u>-</u>	<u>663,678</u>
<u>4,302,008</u>	<u>-</u>	<u>4,302,008</u>
(52,085)	19,167	(32,918)
<u>1,083,973</u>	<u>200,546</u>	<u>1,284,519</u>
<u>\$ 1,031,888</u>	<u>\$ 219,713</u>	<u>\$ 1,251,601</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

**Statement of Functional Expenses
For the Year Ended June 30, 2017**

Program Services

	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>	<u>Mallard Home</u>
Salaries	\$ 445,184	\$ 102,249	\$ 77,310	\$ 1,696,077	\$ 126,321
Payroll taxes	37,944	7,991	752	131,775	10,049
Retirement Plan	<u>3,639</u>	<u>282</u>	<u>-</u>	<u>15,461</u>	<u>1,396</u>
Total salaries and related expenses	486,767	110,522	78,062	1,843,313	137,766
Dues and subscriptions	1,670	310	829	4,996	434
Food	858	1,102	258	2,976	12,624
Insurance	30,872	16,913	21,298	75,771	18,804
Interest	-	-	11,679	-	-
Licenses and inspections	400	-	55	434	823
Maintenance	10,106	25,036	12,063	37,015	4,509
Medical	1,876	1,406	1,816	13,083	11,920
Miscellaneous	3,432	2,668	16,587	17,466	25,097
Office supplies and postage	2,806	365	276	8,173	603
Professional fees	5,563	116	2,463	10,896	4,169
Public awareness	1,090	765	3,654	6,650	166
Rent	9,792	1,584	21,342	18,064	1,929
Supplies	753	1,760	7,302	(896)	4,841
Telephone	13,666	2,019	5,445	32,038	2,974
Training	2,750	206	148	6,221	19,871
Transportation	26,691	(13)	3,657	-	-
Travel	5,224	616	128	46,215	178
Utilities	<u>2,870</u>	<u>6,735</u>	<u>22,943</u>	<u>8,439</u>	<u>8,333</u>
Total	607,186	172,110	210,005	2,130,854	255,041
Depreciation of buildings and equipment	<u>9,688</u>	<u>18,682</u>	<u>20,824</u>	<u>8,415</u>	<u>5,344</u>
Total functional expenses	\$ <u>616,874</u>	\$ <u>190,792</u>	\$ <u>230,829</u>	\$ <u>2,139,269</u>	\$ <u>260,385</u>

The accompanying notes are an integral part of these statements.

Supporting Services

Early Intervention	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$ 184,618	\$ 2,631,759	\$ 263,403	\$ 73,414	\$ 336,817	\$ 2,968,576
13,346	201,857	21,021	5,249	26,270	228,127
4,076	24,854	8,598	1,520	10,118	34,972
202,040	2,858,470	293,022	80,183	373,205	3,231,675
1,075	9,314	6,605	44	6,649	15,963
12	17,830	7,312	71	7,383	25,213
8,524	172,182	22,763	4,090	26,853	199,035
-	11,679	3	-	3	11,682
-	1,712	15	-	15	1,727
3,276	92,005	15,459	3,314	18,773	110,778
377	30,478	1,221	-	1,221	31,699
34	65,284	8,751	674	9,425	74,709
842	13,065	6,038	5,402	11,440	24,505
12,046	35,253	59,176	1,861	61,037	96,290
1,539	13,864	34,258	263	34,521	48,385
52,689	105,400	18,624	9,120	27,744	133,144
135	13,895	1,862	325	2,187	16,082
3,623	59,765	3,574	1,332	4,906	64,671
558	29,754	294	494	788	30,542
-	30,335	13	-	13	30,348
5,463	57,824	367	185	552	58,376
2,170	51,490	10,204	2,350	12,554	64,044
294,403	3,669,599	489,561	109,708	599,269	4,268,868
32	62,985	15,412	286	15,698	78,683
<u>\$ 294,435</u>	<u>\$ 3,732,584</u>	<u>\$ 504,973</u>	<u>\$ 109,994</u>	<u>\$ 614,967</u>	<u>\$ 4,347,551</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

**Statement of Functional Expenses
For the Year Ended June 30, 2016**

Program Services

	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>	<u>Mallard Home</u>
Salaries	\$ 481,413	\$ 67,215	\$ 85,393	\$ 1,636,999	\$ 114,644
Payroll taxes	38,967	5,314	1,658	137,429	9,266
Retirement Plan	4,536	575	186	12,641	1,639
Total salaries and related expenses	<u>524,916</u>	<u>73,104</u>	<u>87,237</u>	<u>1,787,069</u>	<u>125,549</u>
Dues and subscriptions	1,444	152	619	3,826	450
Food	1,163	259	277	2,190	8,917
Insurance	28,593	9,013	27,333	77,879	19,678
Interest	-	-	13,344	-	-
Licenses and inspections	606	41	145	583	933
Maintenance	14,858	4,365	19,370	15,981	4,370
Medical	3,806	682	1,063	22,813	10,647
Miscellaneous	4,321	1,080	21,388	15,166	23,054
Office supplies and postage	2,689	216	166	6,301	374
Professional fees	1,861	1	459	7,304	8,757
Public awareness	1,559	624	3,722	8,725	59
Rent	10,853	712	22,266	13,064	1,650
Supplies	1,094	1,565	7,525	1,650	4,617
Telephone	13,641	1,117	3,708	14,616	1,910
Training	4,374	41	109	7,565	15,755
Transportation	15,900	2,694	7,457	3,031	1,231
Travel	9,554	498	-	58,231	221
Utilities	5,766	2,812	22,858	8,531	7,658
Total	<u>646,998</u>	<u>98,976</u>	<u>239,046</u>	<u>2,054,525</u>	<u>235,830</u>
Depreciation of buildings and equipment	<u>11,295</u>	<u>14,631</u>	<u>22,315</u>	<u>6,777</u>	<u>4,918</u>
Total functional expenses	\$ <u><u>658,293</u></u>	\$ <u><u>113,607</u></u>	\$ <u><u>261,361</u></u>	\$ <u><u>2,061,302</u></u>	\$ <u><u>240,748</u></u>

The accompanying notes are an integral part of these statements.

Supporting Services

	Early Intervention	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
\$	198,931	\$ 2,584,595	\$ 277,002	\$ 72,673	\$ 349,675	\$ 2,934,270
	13,770	206,404	21,591	5,352	26,943	233,347
	4,110	23,687	7,676	1,518	9,194	32,881
	216,811	2,814,686	306,269	79,543	385,812	3,200,498
	1,006	7,497	2,896	160	3,056	10,553
	281	13,087	1,713	58	1,771	14,858
	8,276	170,772	17,849	3,845	21,694	192,466
	-	13,344	-	-	-	13,344
	-	2,308	15	37	52	2,360
	1,728	60,672	30,694	3,133	33,827	94,499
	304	39,315	1,830	-	1,830	41,145
	547	65,556	8,959	254	9,213	74,769
	1,993	11,739	6,175	2,237	8,412	20,151
	6,350	24,732	76,764	38	76,802	101,534
	1,775	16,464	35,354	525	35,879	52,343
	51,721	100,266	17,909	10,090	27,999	128,265
	512	16,963	1,444	382	1,826	18,789
	3,438	38,430	3,751	1,212	4,963	43,393
	935	28,779	276	435	711	29,490
	-	30,313	-	-	-	30,313
	5,716	74,220	829	200	1,029	75,249
	1,494	49,119	9,244	2,569	11,813	60,932
	302,887	3,578,262	521,971	104,718	626,689	4,204,951
	132	60,068	36,438	551	36,989	97,057
\$	<u>303,019</u>	<u>\$ 3,638,330</u>	<u>\$ 558,409</u>	<u>\$ 105,269</u>	<u>\$ 663,678</u>	<u>\$ 4,302,008</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Statements of Cash Flows

	For the Years Ended June 30,	
	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Increase (decrease) in Net Assets	\$ (21,830)	\$ (32,918)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	78,683	97,057
Changes in assets and liabilities		
Accounts receivable	8,154	207,729
Other assets	(24,756)	25,809
Collection of deferred revenue	-	1,779
Accounts payable and accrued expenses	<u>(86,187)</u>	<u>(2,433)</u>
Total Adjustments	<u>(24,106)</u>	<u>329,941</u>
Net cash provided (used) by operating activities	<u>(45,936)</u>	<u>297,023</u>
Cash Flows From Investing Activities		
Purchases of fixed assets	(88,384)	(79,917)
Proceeds from sales of assets	-	-
Net cash provided (used) by operating activities	<u>(88,384)</u>	<u>(79,917)</u>
Cash Flows From Financing Activities		
Payments on notes payable	<u>(18,008)</u>	<u>(18,120)</u>
Net cash provided (used) by operating activities	<u>(18,008)</u>	<u>(18,120)</u>
Net Increase (Decrease) in Cash	(152,328)	198,986
Cash at Beginning of Year	<u>658,054</u>	<u>459,068</u>
Cash at End of Year	<u><u>\$ 505,726</u></u>	<u><u>\$ 658,054</u></u>
Supplemental Disclosures		
Cash paid for interest	<u>\$ 11,682</u>	<u>\$ 13,344</u>
Non-Cash Investing & Operating Activities		
Revenue and expense of non-cash contribution	<u>\$ 104,824</u>	<u>\$ 79,455</u>

The accompanying notes are an integral part of these statements.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
June 30, 2017

Note 1 - Description of Organization

The Association for Retarded Citizens/Ouachita (the Association) dba ARCO was established in 1954 to promote the general welfare of all persons with developmental disabilities within its service area which generally includes the Northeast portion of Louisiana. The programs are designed to assist and train clients to become independent citizens within the Association's service area. The principal programs consist of vocational training, residential living and early intervention.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with Generally Accepted Accounting Principles (GAAP). The financial statements of the Association are presented as recommended by the Financial Accounting Standards Board in ASC 958-205, *Not For Profit Entities-Presentation of Financial Statements*. Under ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2017 and 2016, the Association had no permanently restricted net assets. The Association's policy is to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

B. Contributions-Cash

In accordance with ASC 958-605, *Not For Profit Entities-Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958-605, such contributions are required to be reported as temporarily restricted support and then reclassified to unrestricted net assets upon satisfaction of the related restrictions.

C. Contributions-NonCash

Members, agencies, business firms, volunteers and others contribute substantial services toward the fulfillment of projects initiated by the Association. In addition, substantial goods are donated to the Association's store. No amounts have been recognized in the Statement of Activities for these contributions because the criteria for recognition under ASC 958-605 have not been satisfied. Other non-cash contributions of goods and services including rent have been recognized in the financial statements.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
June 30, 2017

D. Accounts Receivable

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

E. Allocation and Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Association records its expenses in several ways: direct, indirect and central office overhead (COO). Direct costs are the total costs of direct support where staff is paid for only that program. Indirect costs are of two types. Level I indirect costs are salary expenses of an employee whose activities are shared between more than one program in the same department. Level II indirect costs are salary expenses shared between more than one department. COO expenses represent the Supporting Services costs.

F. Programs

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

Supported Employment – This income is derived primarily from the Louisiana Department of Health and Hospitals through two Medicaid Waivers, the NOW and the Supports Waiver. These funds are used to train clients in vocational and prevocational activities and supportive services. Also, some income is derived from the Louisiana Workforce Commission, Office of Louisiana Rehabilitative Services which specifically provides vocational training support to clients placed in jobs within the community.

Day Habilitation - provides meaningful non-work day activities to men and women and is funded by Medicaid's NOW and Supports Waivers as well.

Supported Work Contracts - Supported Work Contract's income is derived from cleaning and document destruction services by clients and the operations of the Sassy Kats clothing store.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
June 30, 2017

Supported Living - Supported Living's primary income is derived from the Louisiana Department of Health and Hospitals Medicaid NOW Waiver. This home and community based program helps the individual clients become more independent by providing support and training in their personal residences within the community. State funds for those without Medicaid Waivers are provided by the Office for Citizens with Developmental Disabilities, and some individuals are private pay.

Mallard Home – Mallard Home's income is derived from the Louisiana Department of Health and Hospitals Intermediate Care Facility for the Developmentally Disabled (ICF/DD) Medicaid Program. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens. Typically, clients in Mallard Home are trained also in the Supported Employment program.

Early Intervention - Early Intervention's income is derived from the Louisiana Department of Health and Hospitals, United Way, grants, non-profit agencies, and charges for therapeutic services (private insurance). This program provides training and therapeutic services to disabled infants, ages 0-3 years. Additionally, ARCO serves a few children over the age of 3 years through private health insurance or private pay.

G. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. The Association capitalizes all property value at \$1,000 or more and an estimated useful life of one year or more. Depreciation is computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

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

H. Compensated Absences

The Association's vacation policy provides for the carryover of vacation to the subsequent year under special circumstances but that carryover is limited to a ceiling not to exceed 15 days. There was no vacation time to accrue for the years ended June 30, 2017 and 2016. Sick days may be accumulated to a maximum of 10 days; however, employees are not paid for any unused sick days upon termination and therefore an accrual for sick leave is not reflected in the financial statements.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
June 30, 2017

I. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code. The Association is subject to income tax examinations by the IRS and the Louisiana Department of Revenue; however, there are currently no examinations in progress for any tax periods. The Association is subject to income tax examinations for the years ended June 30, 2013 and after.

J. Cash and Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, the Association considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

K. Accounting 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.

L. Reclassifications

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

M. Subsequent Events

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

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
June 30, 2017

Note 3 - Cash

The Association's cash (bank balance) at June 30, 2017, was \$532,328 of which \$509,532 was covered by Federal Deposit Insurance Corporation and \$22,797 was unsecured.

Note 4 - Land, Building and Equipment

Land, Building and Equipment consisted of the following:

	June 30,	
	2017	2016
Buildings and Improvements	\$ 516,518	\$ 506,751
Furniture and Equipment	227,610	227,610
Vehicles	411,296	332,679
Land	98,138	98,138
Less: Accumulated Depreciation	<u>(719,707)</u>	<u>(641,025)</u>
Net Land, Building and Equipment	<u>\$ 533,855</u>	<u>\$ 524,153</u>

Included in vehicles above are four vehicles that were acquired through Federal grants along with 20% matching funds from the Association. The Association retains the use of these vehicles as long as they are kept, maintained and used for the Association's designated purpose. These vehicles are not to be sold or disposed of either during their useful life (5 years or 100,000 miles) or without the state's permission; therefore, these vehicles less the related accumulated depreciation are shown as temporarily restricted.

Note 5 - Notes Payable

In January 2014, the Association borrowed \$300,000 for the purchase and modification of a building for Shred operations. The Association refinanced the loan balance of \$257,704 in January 2016. The loan bears interest at 4.5% and is payable in 60 monthly installments of \$2,034 with a balloon payment of \$186,148 due January 25, 2021. The loan is secured by real estate. The amortization for this debt is as follows:

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
June 30, 2017

Year Ended	Payments
June 30,	
2018	\$ 24,413
2019	24,413
2020	24,413
2021	200,318
Total	<u>\$ 259,387</u>

In April 2015, the Association borrowed \$23,839 for the purchase of a vehicle for Supported Work Contracts. The loan bears interest at 3.99% and is payable in 60 monthly installments of \$439. The loan is secured by the vehicle. The amortization for this debt is as follows:

Year Ended	Payments
June 30,	
2018	\$ 5,274
2019	5,274
2020	4,395
2021	4,378
Total	<u>\$ 18,714</u>

A letter of credit in the amount of \$100,000 was issued by Capital One Bank. It is secured by all funds on deposit with them and provides a variable simple interest rate to be adjusted monthly to one percent (1%) over the Wall Street Journal prime rate. There was no outstanding debt on this line of credit at June 30, 2017. The one year line of credit is subject to automatic annual renewal in December of each year.

Note 6 - Temporarily Restricted Net Assets

The following summarizes net assets that are temporarily restricted

	June 30,	
	2017	2016
Accounts Receivable - United Way	\$ 179,624	\$ 186,956
Vehicles - DOTD	155,422	76,806
Less: Accumulated Depreciation	(57,152)	(44,049)
Total	\$ 277,894	\$ 219,713

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
Notes To The Financial Statements
June 30, 2017

Note 7 - Disclosures about Concentrations, Commitments and Contingencies

The Association receives the majority of its revenue based on contracts with various Federal and state agencies. These contracts are subject to review by the respective agencies which could result in disallowed costs. Additionally, funding levels are subject to review on a periodic basis by the grantor agencies, which could result in changes in funding levels.

Note 8 - Operating Leases

Total rent expense was \$133,144 and \$128,266 for the years ending June 30, 2017 and 2016, respectively. The Association has several lease commitments. However, these leases are either on a month-to-month basis or contain “funding-out” clauses which allow the agreements to be cancelled.

Note 9 - Tax Deferred Annuity Plan

The Association offers its employees a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Association. The Association will match up to 3% of gross salaries of qualified employees who elect to participate in the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Association contributed \$34,972 and \$32,881 on behalf of the participants for the years ended June 30, 2017 and 2016, respectively.

SUPPLEMENTAL INFORMATION

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Financial Position

June 30, 2017

Schedule 1

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>
Assets				
Cash	\$ 504,342	\$ (100)	\$ -	\$ 200
Accounts receivable				
Intergovernmental	15	37,622	10,894	-
Services	4,261	847	-	49,289
Contributions	-	-	-	-
United Way	-	21,500	-	-
Other	6,752	2	-	-
Due from other funds	660,525	-	-	-
Land, building and equipment	391,876	46,020	157,883	409,703
Accumulated depreciation	(302,746)	(24,429)	(59,613)	(120,234)
Prepaid expenses	1,706	-	-	-
Other deposits	25,660	-	-	1,043
Total Assets	<u>\$ 1,292,391</u>	<u>\$ 81,462</u>	<u>\$ 109,164</u>	<u>\$ 340,001</u>
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 28,466	\$ -	\$ -	\$ -
Due to other funds	-	75,876	107,872	76,886
Accrued payroll and taxes	34,154	5,586	1,292	1,303
Deferred revenue	-	-	-	8,620
Notes payable	-	-	-	253,192
Total liabilities	<u>62,620</u>	<u>81,462</u>	<u>109,164</u>	<u>340,001</u>
Net Assets				
Unrestricted	1,010,058	-	-	-
Temporarily restricted	219,713	-	-	-
Total net assets	<u>1,229,771</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,292,391</u>	<u>\$ 81,462</u>	<u>\$ 109,164</u>	<u>\$ 340,001</u>

<u>Supported Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
\$ 50	\$ 788	\$ 446	\$ 505,726
215,401	11,902	7,341	283,175
16,350	1,435	-	72,182
-	-	-	-
-	-	158,124	179,624
-	-	-	6,754
-	-	-	660,525
104,189	118,487	25,404	1,253,562
(97,888)	(89,393)	(25,404)	(719,707)
-	-	-	1,706
227	-	-	26,930
<u>\$ 238,329</u>	<u>\$ 43,219</u>	<u>\$ 165,911</u>	<u>\$ 2,270,477</u>
\$ 6,100	\$ 3,346	\$ 648	\$ 38,560
203,733	38,092	158,066	660,525
28,496	1,781	1,967	74,579
-	-	5,230	13,850
-	-	-	253,192
<u>238,329</u>	<u>43,219</u>	<u>165,911</u>	<u>1,040,706</u>
-	-	-	1,010,058
-	-	-	219,713
-	-	-	<u>1,229,771</u>
<u>\$ 238,329</u>	<u>\$ 43,219</u>	<u>\$ 165,911</u>	<u>\$ 2,270,477</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

**Combining Schedule of Activities
For the Year Ended June 30, 2017**

With Comparative Totals for the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supportive Work Contracts</u>
Support and Revenue				
Intergovernmental	\$ 572	\$ 475,078	\$ 152,580	\$ -
Charges For Services	-	11,795	3,942	339,624
Contributions and Grants	142,379	4,000	66,824	3,907
United Way Allocation	-	21,500	-	-
Membership Dues	137,142	-	-	-
Contributions and Net Revenues from Special Events				
Contributions	6,678	-	-	-
Costs of Direct Benefit to Donors	-	-	-	-
Other Revenues	774	20	-	11
Total support and revenue	<u>287,545</u>	<u>512,393</u>	<u>223,346</u>	<u>343,542</u>
Expenses				
Depreciation and Amortization	726	11,626	19,325	20,824
Dues and Subscriptions	686	2,259	571	829
Food	7,259	876	1,106	258
Insurance	4,861	33,443	17,849	21,298
Interest	3	-	-	11,679
Licenses and Inspections	15	400	-	55
Maintenance	4,120	12,138	25,545	12,063
Medical	154	2,032	1,450	1,816
Miscellaneous	4,162	4,058	2,904	16,587
Office Supplies and Postage	6,440	3,505	564	276
Payroll Taxes	5,826	40,741	8,832	752
Pension	3,851	4,501	537	-
Professional Fees	1,700	14,032	2,557	2,463
Public Awareness	3,446	5,334	2,076	3,654
Rent	9,783	12,283	2,311	21,342
Salaries	81,303	480,111	112,793	77,310
Supplies	891	930	1,816	7,302
Telephone	1,406	14,151	2,163	5,445
Training	653	2,850	206	148
Transportation	-	26,691	-	3,657
Travel	200	5,277	616	128
Utilities	2,691	4,244	7,134	22,943
Total Expenses	<u>140,176</u>	<u>681,482</u>	<u>210,355</u>	<u>230,829</u>
Excess (Deficiency) of Revenues Over Expenses	147,369	(169,089)	12,991	112,713

<u>Supported Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total June 30,</u>	
			<u>2017</u>	<u>2016</u>
\$ 2,362,133	\$ 223,592	\$ 95,363	\$ 3,309,318	\$ 3,376,621
12,950	23,684	1,276	393,271	360,685
-	500	56,967	274,577	282,399
-	-	169,653	191,153	196,797
-	-	2,500	139,642	47,575
-	-	-	6,678	4,732
-	-	-	-	(85)
154	10,053	70	11,082	366
<u>2,375,237</u>	<u>257,829</u>	<u>325,829</u>	<u>4,325,721</u>	<u>4,269,090</u>
18,869	6,110	1,203	78,683	97,057
9,434	752	1,432	15,963	10,553
3,063	12,631	20	25,213	14,858
91,638	19,949	9,997	199,035	192,466
-	-	-	11,682	13,344
434	823	-	1,727	2,360
47,410	5,302	4,200	110,778	94,499
13,822	11,976	449	31,699	41,145
21,232	25,368	398	74,709	74,769
11,648	863	1,209	24,505	20,151
145,995	11,093	14,888	228,127	233,347
19,823	1,716	4,544	34,972	32,881
51,912	7,231	16,395	96,290	101,534
28,274	1,718	3,883	48,385	52,343
30,562	2,844	54,019	133,144	128,265
1,873,787	139,351	203,921	2,968,576	2,934,270
-	4,907	236	16,082	18,789
34,464	3,152	3,890	64,671	43,393
6,221	19,906	558	30,542	29,490
-	-	-	30,348	30,313
46,470	197	5,488	58,376	75,249
15,288	8,838	2,906	64,044	60,932
<u>2,470,346</u>	<u>284,727</u>	<u>329,636</u>	<u>4,347,551</u>	<u>4,302,008</u>
(95,109)	(26,898)	(3,807)	(21,830)	(32,918)

(Continued)

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

Combining Schedule of Activities (Concluded)

For the Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supportive Work Contracts</u>
Other financing sources (uses)				
Operating Transfers In	-	169,089	-	-
Operating Transfers (Out)	<u>(169,199)</u>	<u>-</u>	<u>(12,991)</u>	<u>(112,713)</u>
Total Other Financing Sources (Uses)	<u>(169,199)</u>	<u>169,089</u>	<u>(12,991)</u>	<u>(112,713)</u>
Increase (Decrease) in Net Assets	(21,830)	-	-	-
Net Assets at Beginning of Year	<u>1,251,601</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Net Assets at End of Year	 <u>\$ 1,229,771</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

The following central office overhead expenses (COO) have to be reclassified from the various funds above and put in supporting services in order to reconcile to the presentation in the Statement of Activities.

	<u>Total Fund Expenses</u>	<u>COO Expenses</u>	<u>Statement of Activities</u>
Program services			
Supported employment	\$ 681,482	\$ (64,608)	\$ 616,874
Day habilitation	210,355	(19,563)	190,792
Supported work contracts	230,829	-	230,829
Supported living	2,470,346	(331,077)	2,139,269
Community home			
Mallard Home	284,727	(24,342)	260,385
Early Intervention	<u>329,636</u>	<u>(35,201)</u>	<u>294,435</u>
Total program services	\$ 4,207,375	\$ (474,791)	\$ 3,732,584
Supporting services			-
General Fund	<u>140,176</u>	<u>474,791</u>	<u>614,967</u>
Total supporting services	\$ 140,176	\$ 474,791	\$ 614,967
 Total expenses	 <u>\$ 4,347,551</u>	 <u>\$ -</u>	 <u>\$ 4,347,551</u>

<u>Supported/ Independent Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total June 30,</u>	
			<u>2017</u>	<u>2016</u>
95,109	26,898	3,807	294,903	234,086
-	-	-	(294,903)	(234,086)
<u>95,109</u>	<u>26,898</u>	<u>3,807</u>	<u>-</u>	<u>-</u>
-	-	-	(21,830)	(32,918)
-	-	-	<u>1,251,601</u>	<u>1,284,519</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,229,771</u>	<u>\$ 1,251,601</u>

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

**Schedule of Compensation, Benefits and Other Payments to Agency Head
or Chief Executive Officer
For the year ended June 30, 2017**

Schedule 3

Agency Head: Roma Kidd, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 67,013
Recruitment rewards	75
Benefits-retirement	1,936
Per diem	74
Conference travel	526
Reimbursements	1,654
Professional membership dues	510
Special meals	329

**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***

**The Board of Directors
Association for Retarded Citizens/Ouachita
Monroe, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Association of Retarded Citizens/Ouachita** (a not-for-profit organization – the Association), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control over Financial Reporting

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

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

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

**The Board of Directors
Association for Retarded Citizens/Ouachita**

Compliance and Other Matters

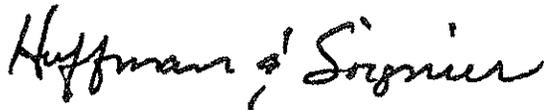
As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The Association's Response to Findings

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



(A Professional Accounting Corporation)

December 29, 2017

**ARCO
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

We have audited the financial statements of the Association of Retarded Citizens/Ouachita (the Association), as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the basic financial statements and have issued our report thereon dated December 29, 2017. 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. Our audit of the financial statements as of June 30, 2017 resulted in an unmodified opinion.

2017-001 Internal Control Weaknesses – Accuracy of Recordkeeping

Criteria or Specific Requirement

Management of the Association is charged with establishing and maintaining internal controls and assessing those controls for effectiveness in design and operation. Internal controls include such practices as ensuring all costs are recorded accurately along with documented reviews as to both the expense and the appropriate program service. Implementing controls and maintaining adequate documentation of such controls are characteristic of a sound internal control environment.

Condition Found

Central Office Overhead (COO) costs were appropriately allocated to the various program services monthly but the costs were not coded as COO allowing for direct extraction. The COO monthly journal entries had to be manually extracted and accumulated in order to arrive at the supporting services required for the annual financial statement presentation.

Cause

The deficiencies found were caused by significant personnel changes and duty realignments.

Effect

Effects and possible effects include material misstatements not being prevented, or detected and corrected in the preparation of the annual financial statements.

Recommendations

Management should oversee that the design and operations of internal controls ensures accurate recording of costs along with documented reviews.

**ARCO
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

Management's Response

All COO expenses are now identified and coded accordingly upon entry into the accounting system.

2017-002 Internal Control Weaknesses – Reconciliations

Criteria or Specific Requirement

Management of the Association is charged with establishing and maintaining internal controls and assessing those controls for effectiveness in design and operation. Internal controls include such practices as ensuring proper segregation of duties, authorizing, approving and reviewing transactions, and performing reconciliations, along with documented reviews.

Condition Found

Reconciliations of revenue and receivable accounts are not being completed on a monthly basis to ensure accurate reports are provided to management.

- Intergovernmental revenues and receivables are not being reconciled between the billing system and the general ledger except annually making it difficult to identify errors due to the vast amount of data involved.
- There is no monthly reconciliation of fundraising, donations, memberships or grant revenues and receivables between the DonorPerfect system and the general ledger. When the accounts were reviewed internally at year end, there were considerable differences in classifications. For the year ended June 30, 2017, the auditors identified two donations totaling \$15,000 that were misclassified to donations instead of United Way.
- Enterprise donations are likewise not being reconciled monthly between the DonorPerfect system and the general ledger and the documentation given to the donor at the time of the donation is not prenumbered.

Cause

The deficiencies found were caused by significant personnel changes and duty realignments.

Effect

Effects and possible effects include material misstatements not being prevented, or detected and corrected in the normal course of management or employees performing their assigned functions.

**ARCO
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

Recommendations

The design and operations of internal controls should ensure for accurate recording of costs along with documented reviews.

Management's Response

The operational system has been revised to provide monthly reconciliation of governmental billings, fundraising, donations, memberships and grant revenues and receivables with the general ledger