

STARC OF LOUISIANA, INC.

Audits of Financial Statements

June 30, 2021 and 2020



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Independent Auditor's Report

To the Board of Directors
STARC of Louisiana, Inc.
Slidell, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of STARC of Louisiana, Inc. (a Louisiana not-for-profit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STARC of Louisiana, Inc. (STARC) as of June 30, 2021 and 2020, 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 schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (R.S.) 24:513A, 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 21, 2021 on our consideration of STARC of Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 STARC'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 STARC of Louisiana, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
December 21, 2021

STARC OF LOUISIANA, INC.
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 5,807,609	\$ 5,228,885
Accounts Receivable	460,882	413,062
Unconditional Promises to Give	30,000	30,000
Prepaid Expenses	120,892	44,318
	<hr/>	<hr/>
Total Current Assets	6,419,383	5,716,265
Property and Equipment		
Buildings and Improvements	6,341,787	5,625,874
Furniture and Equipment	95,600	63,722
Vehicles	996,352	1,046,666
	<hr/>	<hr/>
	7,433,739	6,736,262
Less: Accumulated Depreciation	(2,913,145)	(2,737,362)
	<hr/>	<hr/>
	4,520,594	3,998,900
Land	626,680	650,300
Construction in Progress	-	688,499
	<hr/>	<hr/>
Total Property and Equipment, Net	5,147,274	5,337,699
Other Assets		
Bed Licenses	285,833	325,833
	<hr/>	<hr/>
Total Other Assets	285,833	325,833
	<hr/>	<hr/>
Total Assets	\$ 11,852,490	\$ 11,379,797

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

STARC OF LOUISIANA, INC.
Statements of Financial Position (Continued)
June 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 106,212	\$ 66,745
Accrued Salaries, Wages, and Taxes	461,937	526,773
Accumulated Paid Leave	193,782	197,706
Deferred Revenue	1,953,352	1,759,011
Current Maturities of Long-Term Debt	1,186,490	636,938
	<hr/>	<hr/>
Total Current Liabilities	3,901,773	3,187,173
Other Liabilities		
Long-Term Debt, Net of Current Maturities	1,461,375	2,150,121
	<hr/>	<hr/>
Total Other Liabilities	1,461,375	2,150,121
	<hr/>	<hr/>
Total Liabilities	5,363,148	5,337,294
Net Assets		
Without Donor Restrictions		
Undesignated	5,598,965	5,313,187
Board Designated	420,332	259,271
With Donor Restrictions	470,045	470,045
	<hr/>	<hr/>
Total Net Assets	6,489,342	6,042,503
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 11,852,490	\$ 11,379,797
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The accompanying notes are an integral part of these financial statements.

STARC OF LOUISIANA, INC.
Statements of Activities
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Government Grants and Contracts	\$ 4,393,601	\$ -	\$ 4,393,601	\$ 4,751,660	\$ -	\$ 4,751,660
Ad Valorem Taxes	1,947,435	-	1,947,435	1,826,822	-	1,826,822
Private Providers	373,323	-	373,323	535,915	-	535,915
Program Services	10,432	-	10,432	184,794	-	184,794
Sale of Services	173,365	-	173,365	260,400	-	260,400
Donations and Private Grants	213,117	-	213,117	132,890	-	132,890
United Way Allocation	30,000	-	30,000	-	30,000	30,000
United Way Designations	16,426	-	16,426	20,914	-	20,914
Fundraising	107,266	-	107,266	78,439	-	78,439
Other	230,209	-	230,209	33,637	-	33,637
	<u>7,495,174</u>	<u>-</u>	<u>7,495,174</u>	<u>7,825,471</u>	<u>30,000</u>	<u>7,855,471</u>
Net Assets Released from Restrictions	-	-	-	30,000	(30,000)	-
Total Revenues, Gains, and Other Support	<u>7,495,174</u>	<u>-</u>	<u>7,495,174</u>	<u>7,855,471</u>	<u>-</u>	<u>7,855,471</u>
Expenses						
Program Services	5,479,912	-	5,479,912	6,225,711	-	6,225,711
Supporting Services	1,568,423	-	1,568,423	1,618,220	-	1,618,220
Total Expenses	<u>7,048,335</u>	<u>-</u>	<u>7,048,335</u>	<u>7,843,931</u>	<u>-</u>	<u>7,843,931</u>
Change in Net Assets	<u>446,839</u>	<u>-</u>	<u>446,839</u>	<u>11,540</u>	<u>-</u>	<u>11,540</u>
Net Assets, Beginning of Year	<u>5,572,458</u>	<u>470,045</u>	<u>6,042,503</u>	<u>5,560,918</u>	<u>470,045</u>	<u>6,030,963</u>
Net Assets, End of Year	<u>\$ 6,019,297</u>	<u>\$ 470,045</u>	<u>\$ 6,489,342</u>	<u>\$ 5,572,458</u>	<u>\$ 470,045</u>	<u>\$ 6,042,503</u>

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

STARC OF LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services		General and Administrative	Board and Fundraising		
Salaries, Wages, and Benefits	\$ 541,106	\$ 24,470	\$ 1,284,019	\$ 1,612,356	\$ 81,145	\$ 3,543,096	\$ 1,084,622	\$ 58,091	\$ 1,142,713	\$ 4,685,809
Payroll Taxes	36,318	831	94,299	120,070	6,328	257,846	68,352	4,435	72,787	330,633
Professional Services	183	-	10,953	2,375	-	13,511	18,025	1,280	19,305	32,816
Benefits - Retirement	-	-	44,437	-	-	44,437	-	-	-	44,437
State Bed Fees	-	-	182,237	-	-	182,237	-	-	-	182,237
Supplies	9,572	1,903	142,846	7,069	12,420	173,810	19,044	352	19,396	193,206
Interest	34,329	-	2,927	-	-	37,256	27,936	-	27,936	65,192
Telephone	26,708	2,143	19,259	16,152	2,050	66,312	26,199	642	26,841	93,153
Occupancy	82,493	(901)	153,532	58,837	(9,898)	284,063	57,258	3,856	61,114	345,177
Insurance	85,510	4,125	118,999	77,361	32,471	318,466	50,120	7,957	58,077	376,543
Depreciation and Amortization	131,853	1,659	143,968	31,415	9,892	318,787	74,237	-	74,237	393,024
Travel and Transportation	13,598	-	21,032	7,850	20,149	62,629	12,793	-	12,793	75,422
Conferences and Training	2,698	-	5,157	5,819	-	13,674	2,957	75	3,032	16,706
Miscellaneous	14,835	4,526	35,893	54,602	53,932	163,788	43,144	7,048	50,192	213,980
Total	\$ 979,203	\$ 38,756	\$ 2,259,558	\$ 1,993,906	\$ 208,489	\$ 5,479,912	\$ 1,484,687	\$ 83,736	\$ 1,568,423	\$ 7,048,335

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

STARC OF LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services		General and Administrative	Board and Fundraising		
Salaries, Wages, and Benefits	\$ 758,378	\$ 177,064	\$ 1,258,828	\$ 1,669,967	\$ 119,308	\$ 3,983,545	\$ 1,119,596	\$ 48,037	\$ 1,167,633	\$ 5,151,178
Payroll Taxes	54,425	11,997	90,797	122,874	9,510	289,603	77,648	3,741	81,389	370,992
Professional Services	3,130	1,780	18,147	1,791	30	24,878	6,306	1,751	8,057	32,935
Benefits - Retirement	-	-	193,880	-	-	193,880	-	-	-	193,880
State Bed Fees	-	-	184,740	-	-	184,740	-	-	-	184,740
Supplies	18,476	17,951	132,215	7,886	27,671	204,199	20,917	152	21,069	225,268
Interest	45,374	-	3,900	-	-	49,274	37,124	-	37,124	86,398
Telephone	28,434	5,342	17,801	15,149	2,013	68,739	28,105	787	28,892	97,631
Occupancy	99,114	26,155	96,640	35,482	-	257,391	55,405	4,527	59,932	317,323
Insurance	88,503	13,298	108,961	76,273	36,315	323,350	51,119	7,165	58,284	381,634
Depreciation and Amortization	125,064	21,213	130,096	14,728	7,742	298,843	73,554	-	73,554	372,397
Travel and Transportation	124,334	229	70,897	12,481	16,739	224,680	12,572	-	12,572	237,252
Conferences and Training	2,822	1,100	5,296	8,373	200	17,791	2,928	-	2,928	20,719
Miscellaneous	8,531	2,359	12,966	23,027	57,915	104,798	47,643	19,143	66,786	171,584
Total	\$ 1,356,585	\$ 278,488	\$ 2,325,164	\$ 1,988,031	\$ 277,443	\$ 6,225,711	\$ 1,532,917	\$ 85,303	\$ 1,618,220	\$ 7,843,931

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

STARC OF LOUISIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 446,839	\$ 11,540
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	394,918	372,397
Gain on Disposition of Property and Equipment	(96,860)	(7,690)
(Increase) Decrease in Operating Assets		
Accounts Receivable, Net	(47,820)	106,466
Unconditional Promises to Give, Net	-	16,935
Prepaid Expenses	(76,574)	(17,557)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	39,467	(87,909)
Accrued Salaries, Wages, and Taxes	(64,836)	108,192
Accumulated Paid Leave	(3,924)	22,803
Deferred Revenue	194,341	148,253
Net Cash Provided by Operating Activities	785,551	673,430
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(912,566)	(152,052)
Purchases of Construction in Progress	688,499	(678,994)
Proceeds from Sale of Property and Equipment	158,328	22,500
Net Cash Used in Investing Activities	(65,739)	(808,546)
Cash Flows from Financing Activities		
Debt Issuance Costs	(24,619)	-
Proceeds from Long-Term Debt	1,674,400	1,079,920
Principal Payments on Long-Term Debt	(1,790,869)	(151,021)
Net Cash (Used in) Provided by Financing Activities	(141,088)	928,899
Net Increase in Cash and Cash Equivalents	578,724	793,783
Cash and Cash Equivalents, Beginning of Year	5,228,885	4,435,102
Cash and Cash Equivalents, End of Year	\$ 5,807,609	\$ 5,228,885
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 65,190	\$ 86,398

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

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

STARC of Louisiana, Inc. (STARC) was incorporated on June 20, 1968. STARC provides the following program services to citizens of St. Tammany Parish with developmental and/or intellectual disabilities:

- **Adult Habilitation Services** - Assists individuals in acquiring and retaining skills needed for independence, recreation, and interpersonal proficiencies. Individuals must be 18 years of age or older and have a developmental and/or intellectual disability diagnosis. Individuals must have funding for services that can include waiver, contractual, and private pay.
- **Infant Habilitation Services** - Provides services to families with infants and toddlers from birth to 36 months of age who have a medical condition likely to result in a cognitive, motor, vision, hearing, communication, social-emotional, and/or adaptive developmental delay(s), or who have already been diagnosed with one or more developmental delays. Early Steps services are designed to improve a family's capacity to enhance a child's development. These services are provided in the child's natural environment, such as the child's home, childcare, or any other community setting typical for children from birth to 36 months of age.
- **Residential Services** - Residential community homes provide opportunities for individuals to live in a family-style home in a typical neighborhood. Trained staff members provide care and support for activities of daily living, socialization, community access, and health care coordination and services. Individuals must be age 16 or older and have a primary diagnosis of developmental and/or intellectual disability.
- **Waivered Services** - Medicaid home and community-based waiver programs allow people greater flexibility to choose where they want to live and to use services and supports that best suit their needs. Services provided must represent a least-restrictive treatment alternative.
- **Commercial Business Services** - Provides a center-based environment at licensed facilities in Slidell and Mandeville, where our seasoned staff work closely with individuals to help them develop, increase, and retain skills necessary for the performance of productive and meaningful work.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and liabilities.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation

STARC follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). STARC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, STARC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

It is STARC's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management believes use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are expected to be collected over a five-year period. Management feels any discounts on pledges expected to be collected after one year are not material. STARC determines the allowance for uncollectable promises to give based on historical experience, and assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As a result, pledges are recorded at the net realizable value. As of June 30, 2021 and 2020, unconditional promises to give are shown on the statements of financial position consisted of \$30,000 due from United Way.

Revenue Recognition

STARC recognizes revenue from contracts with customers when commercial substance exists, approvals have been obtained and commitment to perform exists, rights of both parties and payment terms are identifiable and collection is probable.

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. Management assesses each good or service promised in a contract and identifies each promise as a performance obligation. The transaction price is the amount of consideration (fixed or variable) expected to be received in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. If the considerations promised in a contract includes a variable amount, management will estimate the amount to which it expects to be entitled using the most-likely-amount method. Estimated amounts are only included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue will not occur when the uncertainty associated with the variable consideration is received. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Habilitation, Residential, and Waivered Services

STARC recognizes revenue from habilitation, residential, and waivered programs during the year in which the related services are provided to the individual.

STARC offers care services to individuals in the programs at standard contracted rates. Medicaid or the payor is billed monthly for services provided. The performance obligation of delivering care services is simultaneously received and consumed by the individual. Revenue related to services performed as needed is recognized at a point in time, the day the service is performed. Contracts for services are combined into a single portfolio of similar contracts.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Fundraising Income

STARC hosts fundraisers and special events during the year. Fundraising income is primarily made up of contributions without donor restrictions. Donations raised for a specific cause are recognized at a point in time when the consideration is received.

Bed Licenses Amortization

Expense for amortization of the bed licenses for the years ended June 30, 2021 and 2020 totaled \$40,000 and \$40,000, respectively.

Property and Equipment

Purchased property and equipment, in excess of \$5,000, are capitalized and recorded at cost at the date of acquisition. Contributed property and equipment are recorded at fair value at the date of donation. Expenses for maintenance, repairs, and renewals of minor items are charged as incurred.

Depreciation and amortization are computed by the straight-line method at rates based on the following estimated useful lives: Furniture and Equipment - 5 to 20 years; Building and Improvements - 5 to 30 years; and Vehicles - 3 to 5 years.

Depreciation expense for the years ended June 30, 2021 and 2020 was \$353,024 and \$332,397, respectively.

Donated Assets and Services

STARC recorded non-cash donations as contributions at its estimated fair market value at the date of donation.

Various functions of STARC are conducted by unpaid officers, board members, and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. STARC recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Coronavirus Aid, Relief, and Economic Security Act

In response to the economic impact of the coronavirus (COVID-19), the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress and was subsequently signed into law on March 27, 2020. The CARES Act included a variety of economic assistance provisions for businesses and individuals. The CARES Act established a Provider Relief Fund to be used for economic support of entities in connection with health care-related expenses or lost revenues attributable to COVID-19.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Coronavirus Aid, Relief, and Economic Security Act (Continued)

Entities such as STARC would recognize these funds as subsidies that are subject to eligibility requirements. For the year ended June 30, 2021, STARC received approximately \$240,000 through the Provider Relief Fund program. Based on the terms of the Provider Relief Fund program and the guidance provided by the United States Department of Health and Human Services (HHS), STARC recognized this funding as revenue for the year ended June 30, 2021, which is included in government grants and contracts on the statement of activities.

Functional Expense Allocation

The cost of providing STARC's various programs and supporting services has been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are first allocated by direct identification and then allocated if an expenditure benefits more than one program or function. The expenses that are allocated are allocated on the basis of estimates of time and effort or on the basis of square footage. Allocable expenses include salaries and benefits, occupancy, insurance, and depreciation expense.

Income Taxes

STARC qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. STARC believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Recent Accounting Pronouncements - Adopted

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in the United States of America generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. STARC adopted the new revenue standard effective July 1, 2020. STARC has adopted ASU 2014-09 using the modified retrospective method with a cumulative-effect adjustment to net assets recognized as of the date of adoption. The majority of STARC's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Adopted (Continued)

Based on STARC's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to opening net assets as a result of this adoption.

Recent Accounting Pronouncements - Not Yet Adopted

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, deferred the effective date of ASU 2016-02 to financial statements issued for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of adopting the new lease standard on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on STARC's financial statements.

Note 2. Concentrations of Credit Risk

STARC has concentrated its credit risk by maintaining deposits in banks located within the same geographic region that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2021 and 2020, respectively, approximately \$3,600,000 and \$3,000,000 of cash and cash equivalents were uninsured. STARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

A significant portion of STARC's revenue is derived from the ad valorem tax revenue described in Note 8, the Medicaid waiver program, and Title XIX funding. As of June 30, 2021, ad valorem taxes represent 26% of revenues, Medicaid waiver program represents 28% of revenues, and Title XIX represents 25% of revenues. As of June 30, 2020, ad valorem taxes represent 23% of revenues, Medicaid waiver program represents 33% of revenues, and Title XIX represents 25% of revenues.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 3. Accounts Receivable

As of June 30, 2021 and 2020, accounts receivable were comprised of:

	2021	2020
Title XIX	\$ 170,897	\$ 234,891
Waiver Services	134,688	128,984
Supported Services	65,701	47,449
Contracted Services	22,322	953
Other	67,274	785
Total	\$ 460,882	\$ 413,062

Note 4. Unconditional Promises to Give

As of June 30, 2021 and 2020, unconditional promises to give were comprised of:

	2021	2020
Due Within One Year	\$ 30,000	\$ 30,000
Less: Allowance	-	-
Unconditional Promises to Give, Net	\$ 30,000	\$ 30,000

Note 5. Liquidity and Availability

STARC regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources STARC has available. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and Cash Equivalents	\$ 5,807,609
Accounts Receivable	460,882
Total	\$ 6,268,491

In addition, STARC has a \$500,000 available operating line of credit to draw upon.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 6. Accumulated Paid Leave

All full-time regular status employees who do not carry the Direct Support Professional title are eligible for paid leave. At the beginning of each fiscal year, STARC deposits into each employee's annual leave account a lump sum amount of leave hours for use of time off during that fiscal year. The amount of leave each receives is based on the employee's job classification and years of eligible service. At the end of each fiscal year, unused annual leave hours up to established limits, are automatically transferred to the employee's accumulated leave account. Annual leave hours not used are not payable to employees upon resignation, retirement, termination, or death, while accumulated leave hours will be paid out upon resignation, retirement, termination, or death at the employee's current hourly rate.

	2021	2020
Beginning Balance	\$ 197,706	\$ 174,903
Additions	178,887	213,140
Reductions	<u>(182,811)</u>	<u>(190,337)</u>
Ending Balance	<u>\$ 193,782</u>	<u>\$ 197,706</u>

Note 7. Board Designations

It is the policy of the Board of Directors of STARC to review its plans for future property improvements, acquisitions, and program services from time to time and to designate appropriate sums of net assets without donor restrictions to ensure adequate financing. At June 30, 2021 and 2020, STARC's Board had \$420,332 and \$259,271, respectively, in designated funds which are designated for expanding program services to involve more families and the community in the joyful growth of all citizens.

Note 8. Administration Agreement and Deferred Revenue

Effective February 18, 2009, the St. Tammany Parish Council (the Council) and STARC entered into an administration agreement for a period of ten years, whereby STARC would provide services relating to acquiring, constructing, improving, maintaining, and operating authorized activities, services, programs, and/or facilities for individuals with mental retardation and/or developmental disabilities in St. Tammany Parish. The agreement requires the Council to compensate STARC a 1 mill tax annually. STARC received \$2,091,785 and \$1,940,930, of which \$1,921,572 and \$1,721,347 was deferred for the fiscal years ended June 30, 2021 and 2020, respectively, to properly recognize revenue when it will be earned. STARC incurred expenditures relating to the services provided in the amount of \$1,947,435 and \$1,826,822 for the years ended June 30, 2021 and 2020, respectively. The ad valorem tax received from the Council and the expenditures incurred are included in the specific programs and supporting services of STARC on the statements of activities.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 9. United Way Allocation/Grants

STARC participates in the United Way for the Greater New Orleans Area allocation and designation of funds process. To participate in the allocation and designation of funds, certain restrictions were placed on STARC's ability to conduct certain fundraising activities or otherwise solicit contributions. The United Way's allocation/designation to STARC for the years ended June 30, 2021 and 2020 was \$46,426 and \$50,914, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions totaled \$470,045 for years ended June 30, 2021 and 2020, are donations from corporations, individuals, and pledges receivable from the United Way of Greater New Orleans to support Jacob's Ladder Adult Day Care. There were \$30,000 and \$30,000 of net assets released from donor restrictions for the years ended June 30, 2021 and 2020, respectively.

Note 11. Long-Term Debt

STARC had the following notes payable as of June 30th:

	2021	2020
Mortgage note dated March 31, 2018, payable to a bank in monthly installments of \$6,800, consisting of principal and interest accruing at a rate of 4.80% through October 2029. Collateralized by land and building.	\$ -	\$ 869,113
Mortgage note dated May 26, 2017, payable to a bank in monthly installments of \$6,106, consisting of principal and interest accruing at a rate of 4.30% through June 2024. Collateralized by land and building.	-	796,298
Mortgage note dated October 6, 2020, payable to a bank in monthly installments of \$11,754, consisting of principal and interest accruing at a rate of 3.19% through October 2035. Collateralized by land and building.	1,561,363	-

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 11. Long-Term Debt (Continued)

	2021	2020
Vehicle financing arrangement dated September 9, 2018, payable in monthly installments of \$1,279, consisting of principal and interest accruing at a rate of 7.99% through September 2023.	29,307	41,728
Paycheck Protection Program note dated May 6, 2020, potentially forgivable under the CARES Act; in the absence of forgiveness, the loan is payable to a bank in 18 monthly installments of \$60,462 consisting of principal and interest accruing at a rate of 0.98% through April 2022.	1,079,920	1,079,920
Total Debt	2,670,590	2,787,059
Less: Current Portion	(1,186,490)	(636,938)
Less: Capitalized Refinancing Costs	(22,725)	-
Total Long Term Debt	\$ 1,461,375	\$ 2,150,121

Maturities are as follows:

Year Ending June 30,	Amount
2022	\$ 1,186,490
2023	113,422
2024	105,882
2025	110,883
2026	117,120
Thereafter	1,036,793
Total	\$ 2,670,590

Interest paid on notes payable for the years ended June 30, 2021 and 2020 was \$65,192 and \$86,398, respectively.

CARES Funding

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. On April 6, 2020, STARC applied for a loan under the Program and received \$1,079,920 in proceeds from a bank. The loan is forgivable if STARC meets certain criteria as established under the Program. If not forgiven, payments of principal and interest in the amount of \$60,462 are due monthly beginning November 6, 2020. The loan bears interest at 0.98% and matures on April 6, 2022. Subsequent to year end, on August 11, 2021, STARC received notice of forgiveness from the Small Business Administration.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 13. Line of Credit

STARC has a \$500,000 line of credit with a local bank which matures in April 2025. The line of credit has an interest rate of 0.5% over the Index. The balance on the line of credit at June 30, 2021 and 2020 was \$0.

Note 13. Operating Leases

STARC signed a contract that has an indefinite life span for the use of a certain parcel of ground that is entirely enclosed by a fence that has been developed into a park-like area complete with a paved walking path, a bocce ball court, and benches throughout.

STARC has multiple operating leases for office equipment at various locations. Lease expense for office equipment for the years ended June 30, 2021 and 2020 was \$12,291 and \$12,677, respectively.

Note 14. Retirement Plans

STARC established a 401(k) Thrift Plan (the Plan) effective November 1, 2000. Employees of STARC may participate in the Plan, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have completed the service requirements (equivalent to one year of service with 1,000 hours of service or more). STARC makes discretionary contributions to the Plan each year as a percentage of all participants' contributions.

On April 19, 2012, STARC established a 457(b) Top Hat Plan whereby the executive staff can contribute to a retirement plan and STARC still be in compliance with the requirements of the 401(k) plan. The highly compensated employees who participate in this plan do so with only their own deferrals. STARC makes discretionary contributions to this plan each year as a percentage of all participants' contributions.

STARC's contribution for both plans for the years ended June 30, 2021 and 2020 was \$13,002 and \$13,731, respectively.

Note 15. Deferred Compensation

On March 16, 2005, the Board established a years of service bonus plan for any retiring employee who has been employed by STARC for a minimum of 20 years and has maintained a satisfactory employment record. The bonus payments are not guaranteed and are paid only from Board-approved unrestricted funds that are available in the fiscal year in which a qualifying employee retires. Bonus payments are based on 50%, 75%, or 100% of the employee's annualized regular salary at retirement date, depending on years of service. Bonus payment expense was \$27,155 and \$30,998 for the years ended June 30, 2021 and 2020, respectively, and is recorded in salary, wages, and benefits on the statements of functional expense.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 16. Contingencies

From time to time, STARC is involved in claims or legal proceedings arising in the ordinary course of operations. In the opinion of management, the outcome of such actions will have no material impact on STARC's financial position or results of operations.

Note 17. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which STARC operates.

It is unknown how long these and any other adverse conditions associated with the coronavirus will last and what the complete financial effect will be to STARC.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 21, 2021, and identified the following event which requires disclosure:

As detailed in Note 11, on August 11, 2021, STARC received notice of Paycheck Protection Program loan forgiveness from the Small Business Administration.

No further subsequent events occurring after December 21, 2021 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

STARC OF LOUISIANA, INC.
Supplementary Information
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2021

Louisiana Revised Statute (R.S.) 24:513 (A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that non-governmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
Mark Baham, Executive Director

Purpose	Amount
Salary	\$123,606
Benefits - Insurance	\$58
Benefits - Retirement	\$468
Benefits - Other	\$12,581
Vehicle Provided by Agency	\$11,370
Per Diem	\$0
Reimbursements	\$965
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Directors
STARC of Louisiana, Inc.
Slidell, 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 STARC of Louisiana, Inc., which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered STARC of Louisiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 STARC of Louisiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of STARC of Louisiana, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether STARC of Louisiana, Inc.'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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 21, 2021

STARC OF LOUISIANA, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| c. Noncompliance material to the financial statements? | No |
| 3. Management letter comment provided? | No |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

STARC OF LOUISIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

Findings Related to the Financial Statements

None.

AGREED-UPON PROCEDURES REPORT

STARC of Louisiana, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Year Ended June 30, 2021

To the Management of STARC of Louisiana, Inc. and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Act 774 Agreed-Upon Procedures (AUPs) for the fiscal period July 1, 2020 through June 30, 2021. STARC of Louisiana, Inc.'s (STARC) management is responsible for those C/C areas identified in the AUPs.

STARC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's AUPs for the fiscal period July 1, 2020 through June 30, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and findings are as follows:

Payroll and Personnel

1. Obtain a listing of employees employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions were found as a result of this procedure.

2. Randomly select one pay period during the fiscal period. For the five employees selected under #1 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
 - b) Observe that supervisors approved the attendance and leave of the selected employees.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- d) Observe that the rate paid to the employees agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of this procedure.

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

Results: No exceptions were found as a result of this procedure.

- 4. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of this procedure.

We were engaged by STARC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the AUPs. 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.

We are required to be independent of STARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Act 774 Agreed-Upon Procedures, and the results 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 Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
December 21, 2021