

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2018

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-16

SUPPLEMENTARY INFORMATION

Consolidated Change in Net Assets by Division	17
Consolidated Change in Net Assets by Division-Elimination of Service Fees between Divisions	18
Schedule of Compensation, Benefits, and Other Payments to Agency Head	19

OTHER REPORTS

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 <i>Government Auditing Standards</i>	20-21
Schedule of Findings and Questioned Costs	22
Schedule of Prior Year Findings	23
Management's Corrective Action Plan	24

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 5, 2018

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from The Arc's 2017 consolidated financial statements and, in our report dated November 29, 2017, we expressed an unmodified opinion on those consolidated financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc Caddo-Bossier as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 17 through 19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of The Arc Caddo-Bossier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc Caddo-Bossier's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

<u>A S S E T S</u>	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Permanently Restricted, Temporarily Restricted, and Designated</u>
Cash and cash equivalents	2,828,028	83,110
Investments-Notes 8 and 12	2,247,869	1,433,106
Accounts receivable-Note 4	1,303,468	-
Prepaid expenses and other assets	132,270	-
Land, building and equipment-Note 5	-	-
<u>Less-accumulated depreciation</u>	-	-
Beneficial interest in foundation-Note 13	-	<u>6,750,188</u>
Total assets	<u>6,511,635</u>	<u>8,266,404</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Accounts payable	103,791	-
Accrued payroll and related liabilities	547,887	-
Accrued expenses	86,822	-
Total liabilities	<u>738,500</u>	-
<u>Net assets-Note 3</u>	<u>5,773,135</u>	<u>8,266,404</u>
Total liabilities and net assets	<u>6,511,635</u>	<u>8,266,404</u>

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

Total - All Funds
(Memorandum Only)

Land, Building, and Equipment Fund	June 30, 2018	June 30, 2017
-	2,911,138	2,903,126
-	3,680,975	3,452,958
-	1,303,468	1,281,429
-	132,270	121,130
9,446,707	9,446,707	9,129,626
(6,921,474)	(6,921,474)	(6,586,940)
-	<u>6,750,188</u>	<u>6,488,888</u>
<u>2,525,233</u>	<u>17,303,272</u>	<u>16,790,217</u>
-	103,791	17,834
-	547,887	536,435
-	<u>86,822</u>	<u>68,496</u>
-	738,500	622,765
<u>2,525,233</u>	<u>16,564,772</u>	<u>16,167,452</u>
<u>2,525,233</u>	<u>17,303,272</u>	<u>16,790,217</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Permanently Restricted, Temporarily Restricted, and Designated</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	321,818	-
Title XIX	10,910,847	-
United Way	14,630	-
Contributions	624,318	1,363
Service fees	528,553	-
Other public support	34,855	-
Total public support	<u>12,435,021</u>	<u>1,363</u>
<u>Revenue:</u>		
Sales revenue	3,120,396	98,347
Membership dues	9,220	-
Investment income-Note 8	245,337	-
Change in interest in Foundation	-	261,300
Other income	68,782	-
Total revenue	<u>3,443,735</u>	<u>359,647</u>
Total public support and revenue	15,878,756	361,010
<u>Expenses:</u>		
Adult services	3,777,078	93,618
Children services	913,534	1,300
Residential services	9,161,322	-
Leisure Services	258,613	-
Management and general	1,296,199	-
Total expenses	<u>15,406,746</u>	<u>94,918</u>
<u>Change in net assets</u>	472,010	266,092
<u>Net assets-beginning of year</u> -Note 3	5,561,679	8,063,087
Transfers-Note 3	(260,554)	(62,775)
	<u>5,301,125</u>	<u>8,000,312</u>
<u>Net assets-end of year</u> -Note 3	<u>5,773,135</u>	<u>8,266,404</u>

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

Land, Building, and Equipment Fund	Total - All Funds (Memorandum Only)	
	June 30, 2018	June 30, 2017
-	321,818	267,891
-	10,910,847	10,844,297
-	14,630	48,755
-	625,681	388,115
-	528,553	528,708
-	34,855	39,299
-	<u>12,436,384</u>	<u>12,117,065</u>
-	3,218,743	3,270,402
-	9,220	8,609
-	245,337	423,589
-	261,300	499,169
-	68,782	53,288
-	<u>3,803,382</u>	<u>4,255,057</u>
-	16,239,766	16,372,122
69,934	3,940,630	3,766,392
39,365	954,199	932,796
125,400	9,286,722	8,980,063
58,558	317,171	242,916
47,525	1,343,724	1,280,265
<u>340,782</u>	<u>15,842,446</u>	<u>15,202,432</u>
(340,782)	397,320	1,169,690
2,542,686	16,167,452	14,997,762
323,329	-	-
<u>2,866,015</u>	<u>16,167,452</u>	<u>14,997,762</u>
<u>2,525,233</u>	<u>16,564,772</u>	<u>16,167,452</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
Salaries	2,438,934	675,380	6,797,773
Payroll taxes	189,593	53,189	542,184
Other employee expenses	401,648	42,112	460,276
Total salaries and payroll related expenses	<u>3,030,175</u>	<u>770,681</u>	<u>7,800,233</u>
Professional	7,418	247	9,297
Insurance	89,490	3,031	59,438
Licenses	750	176	332,058
Office expense	11,732	7,760	18,333
Postage and publication	1,675	1,496	2,956
Dues and subscriptions	1,322	1,021	891
Telephone	12,353	2,162	17,531
Repairs and maintenance	93,180	11,751	117,616
Building services	2,082	1,349	38,751
Training	1,005	2,804	44,123
Travel and conventions	23,066	4,359	60,724
Operating supplies	332,173	20,281	10,591
Utilities	116,799	15,296	109,413
Rent	-	-	-
Vehicle and equipment lease	50,736	2,639	22,607
Property tax	-	-	-
Food	250	65,344	138,472
Household supplies	36	3,781	27,590
Clothing	-	-	11,713
Personal necessities	-	-	13,217
Medical and therapy	-	88	41,792
Transportation and outing	-	-	2,427
Consultant fees	3,500	-	234,365
Other	92,954	568	47,184
Total other expenses before depreciation	<u>840,521</u>	<u>144,153</u>	<u>1,361,089</u>
Total expenses before depreciation	3,870,696	914,834	9,161,322
<u>Depreciation expense</u>	<u>69,934</u>	<u>39,365</u>	<u>125,400</u>
<u>Total expenses</u>	<u>3,940,630</u>	<u>954,199</u>	<u>9,286,722</u>

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

Leisure Services	Management and General	Total - All Funds (Memorandum Only)	
		June 30, 2018	June 30, 2017
142,181	738,675	10,792,943	10,360,499
11,356	55,199	851,521	816,431
608	72,009	976,653	864,797
<u>154,145</u>	<u>865,883</u>	<u>12,621,117</u>	<u>12,041,727</u>
1,295	146,384	164,641	129,496
10,762	88,534	251,255	243,154
-	-	332,984	337,385
3,995	32,966	74,786	92,720
166	1,671	7,964	5,752
1,038	22,209	26,481	25,682
4,560	4,150	40,756	37,454
5,360	27,662	255,569	219,605
5,301	18,859	66,342	64,807
2,158	21,504	71,594	50,823
2,398	28,718	119,265	127,855
26,980	5,598	395,623	381,551
6,567	12,959	261,034	234,874
3	-	3	3
-	12,030	88,012	102,396
-	-	-	119
3,649	2,101	209,816	188,493
-	193	31,600	28,596
-	-	11,713	9,684
-	-	13,217	11,564
15,680	1,950	59,510	46,883
-	-	2,427	2,669
3,828	-	241,693	270,581
<u>10,728</u>	<u>2,828</u>	<u>154,262</u>	<u>165,191</u>
<u>104,468</u>	<u>430,316</u>	<u>2,880,547</u>	<u>2,777,337</u>
258,613	1,296,199	15,501,664	14,819,064
<u>58,558</u>	<u>47,525</u>	<u>340,782</u>	<u>383,368</u>
<u><u>317,171</u></u>	<u><u>1,343,724</u></u>	<u><u>15,842,446</u></u>	<u><u>15,202,432</u></u>

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	397,320	1,169,690
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	340,782	383,368
Net realized and unrealized (gains) on investments	(151,285)	(331,812)
Change in interest in Foundation	(261,300)	(499,169)
(Increase) decrease in accounts receivable	(22,039)	50,675
(Increase) decrease in prepaid expenses and other assets	(11,140)	108,312
Increase (decrease) in accounts payable	85,957	(231,081)
Increase (decrease) in payroll liabilities	11,452	(36,195)
Increase in accrued expenses	18,326	15,251
Total adjustments	<u>10,753</u>	<u>(540,651)</u>
Net cash provided by operating activities	408,073	629,039
<u>Cash flows from investing activities:</u>		
Net purchase of investments	(76,734)	(75,963)
Purchase of fixed assets	<u>(323,327)</u>	<u>(182,971)</u>
Net cash (used) by investing activities	(400,061)	(258,934)
<u>Net increase in cash and cash equivalents</u>	8,012	370,105
<u>Cash and cash equivalents at beginning of year</u>	<u>2,903,126</u>	<u>2,533,021</u>
<u>Cash and cash equivalents at end of year</u>	<u>2,911,138</u>	<u>2,903,126</u>
<u>Supplemental disclosures:</u>		
Cash paid for interest	<u>-</u>	<u>-</u>

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

THE ARC CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

1. Nature of Business

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

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

The Arc provides services to the mentally handicapped of all ages in northwest Louisiana, as follows:

- a) Adult Services – provides day habilitation and employment for full and part-time adult workers with disabilities, generally in custodial, linen, filter and lawn services, and through sheltered employment and employment-related training.
- b) Children Services – provides childcare and developmentally appropriate educational experiences to enrolled children aged six weeks to five years of age, both with and without disabilities.
- c) Residential Services – provides an array of community living services for children and adults with disabilities and their families, including supported independent living, long-term personal care, personal care attendant, respite care, and elderly disabled adult waiver.
- d) Leisure Services – provides therapeutic services to adults and children with disabilities through horseback riding.

2. Summary of Significant Accounting Policies

a) Financial Statement Presentation:

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

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 3.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc and/or by the passage of time. Temporarily restricted net assets are detailed in Note 3.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by The Arc. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. Permanently restricted net assets are detailed in Note 3.

2. Summary of Significant Accounting Policies (Continued)

b) Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

d) Investments:

The Arc accounts for investments at fair value.

e) Estimates:

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

f) Land, Building and Equipment:

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

<u>Asset</u>	<u>Estimated Life</u>
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

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

g) Advertising Costs:

Costs of advertising are expensed as incurred.

h) Consolidation:

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

2. Summary of Significant Accounting Policies (Continued)

i) Income Taxes:

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

The Arc and GREAT are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2015 and beyond remain subject to examination by the Internal Revenue Service.

j) Functional Expenses:

Certain functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fund-raising expenses are not significant.

k) Cash Equivalents:

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

l) Compensated Absences:

Annual leave is earned by employees as follows:

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

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

Sick leave is included in annual leave.

m) Trade Receivables from Contract Work:

Trade receivables from contract work, service fees, and other third-party reimbursement plans and service fees that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount, less any related allowance for doubtful receivables. Management

2. Summary of Significant Accounting Policies (Continued)

periodically reviews its outstanding receivables for collectability, and has determined that no allowance is necessary at June 30, 2018. Past due status of receivables is based on their contractual terms. Amounts received under third-party reimbursement plans are subject to adjustment by the payer, and also may be subject to subsequent audit. Management believes the possibility of adjustments of material amount is remote.

n) Accounting Guidance/Principles Not Yet Adopted:

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

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

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

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

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

In August 2016, the FASB issued ASU No. 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*,” with the stated purpose of improving financial reporting by those entities. Among other provisions, this ASU reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires additional disclosures concerning liquidity and the availability of financial resources.

2. Summary of Significant Accounting Policies (Continued)

This standard is effective for fiscal years beginning after December 15, 2017, and requires the use of the retrospective transition method. However, an entity has the option to omit the disclosure about liquidity and availability of financial resources for any comparative periods originally presented before the period of adoption. The Arc currently is in the process of implementing these changes.

3. Net Assets

Net assets include restricted and board-designated amounts and activity, summarized as follows:

	June 30, 2017	Income	Expenses	Transfers	June 30, 2018
<u>Permanently restricted:</u>					
The Arc Caddo-Bossier Foundation	50,000	-	-	-	50,000
<u>Temporarily restricted:</u>					
The Arc Caddo-Bossier Foundation	6,438,888	261,300	-	-	6,700,188
McCrery Scholarship	21,696	-	-	-	21,696
Mark Carlisle Emergency Fund	5,642	1,363	(1,300)	-	5,705
	<u>6,466,226</u>	<u>262,663</u>	<u>(1,300)</u>	<u>-</u>	<u>6,727,589</u>
<u>Designated:</u>					
Adult Services	49,997	98,347	(93,618)	-	54,726
Worker's compensation	1,496,864	-	-	(62,775)	1,434,089
	<u>1,546,861</u>	<u>98,347</u>	<u>(93,618)</u>	<u>(62,775)</u>	<u>1,488,815</u>
	<u>8,063,087</u>	<u>361,010</u>	<u>(94,918)</u>	<u>(62,775)</u>	<u>8,266,404</u>

4. Accounts Receivable

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

	June 30, 2018	June 30, 2017
Contract work	320,330	341,008
State of Louisiana	16,229	15,450
Title XIX	892,812	845,226
Other	74,097	79,745
Total	<u>1,303,468</u>	<u>1,281,429</u>

4. **Accounts Receivable** (Continued)

Receivables from contract work arise from credit granted to various businesses located in the Shreveport area. Receivables from the State of Louisiana and Title XIX arise from funds due The Arc under various grants and third party payee arrangements, and which are unpaid as of the end of the fiscal year.

5. **Land, Building, and Equipment**

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Buildings	3,401,036	3,378,595
Improvements	1,920,303	1,879,129
Equipment	2,897,713	2,864,135
Vehicles	<u>730,803</u>	<u>528,734</u>
Total depreciable assets	8,949,855	8,650,593
Accumulated depreciation	<u>(6,921,474)</u>	<u>(6,586,940)</u>
Book value of depreciable assets	2,028,381	2,063,653
Land	433,212	433,212
Construction in progress	<u>63,640</u>	<u>45,821</u>
Book value of fixed assets	<u><u>2,525,233</u></u>	<u><u>2,542,686</u></u>

6. **Commitments**

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

2019	72,021
2020	59,057
2021	51,379
2022	12,783
2023	-
	<u>195,240</u>

7. **Other Employee Expenses**

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% discretionary employer match for employee contributions up to 2% of employee salary. The Arc made no contributions to this plan for the years ending June 30, 2018 and 2017.

8. **Investments**

Investments are summarized as follows:

	June 30, 2018		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	758,798	720,774	(38,024)
Equity funds	2,394,149	2,876,248	482,099
Money funds	83,953	83,953	-
Totals	<u>3,236,900</u>	<u>3,680,975</u>	<u>444,075</u>

	June 30, 2017		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	639,858	619,944	(19,914)
Equity funds	2,328,817	2,761,957	433,140
Money funds	71,057	71,057	-
Totals	<u>3,039,732</u>	<u>3,452,958</u>	<u>413,226</u>

Investment income consists of the following:

	June 30, 2018	June 30, 2017
Interest and dividends	94,052	91,777
Net realized gains (losses)	120,436	(3,954)
Net unrealized gains	<u>30,849</u>	<u>335,766</u>
	<u>245,337</u>	<u>423,589</u>

9. **Line of Credit and Borrowings**

The Arc has a line of credit with a local bank, renewed in February 2018, with a maximum borrowing limit of \$100,000. The credit line is secured by an investment brokerage account having an estimated market value of \$3,680,975 at June 30, 2018. Interest is variable, based on 2.65% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2018 and 2017.

10. **Conditional Promises**

Conditional promises consist of the unfunded portions of approved grants, either currently in effect or approved for commencement after June 30, 2018. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately \$338,000 at June 30, 2018.

11. Related Party Transactions

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.h, The Arc controls, but has no financial or economic interest in, Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development. Summarized financial data for this entity follows:

Louisiana Disabled Persons Housing Corporation

Summarized Statements of Net Assets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Current assets	46,770	24,997
Fixed assets, net	293,446	304,976
Other assets	<u>33,768</u>	<u>33,660</u>
Total assets	<u>373,984</u>	<u>363,633</u>
Current liabilities	50,533	48,708
Long-term debt, less current portion	<u>386,600</u>	<u>429,366</u>
Total liabilities	437,133	478,074
Net assets (deficit)	<u>(63,149)</u>	<u>(114,441)</u>
Total liabilities and net assets	<u>373,984</u>	<u>363,633</u>

Louisiana Disabled Persons Housing Corporation

Summarized Statements of Activities

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Income	264,369	261,082
Expenses	<u>213,077</u>	<u>223,282</u>
Change in net assets	51,292	37,800
Net assets (deficit), beginning	<u>(114,441)</u>	<u>(152,241)</u>
Net assets (deficit), ending	<u>(63,149)</u>	<u>(114,441)</u>

11. Related Party Transactions (Continued)

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

	June 30, 2018			
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>673,250</u>	<u>(7,741)</u>	<u>(659,111)</u>	<u>(6,398)</u>
	June 30, 2017			
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>680,562</u>	<u>(4,248)</u>	<u>(648,311)</u>	<u>(28,003)</u>

12. Fair Value Measurements

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

	<i>Assets at Fair Value as of June 30, 2018</i>			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	83,953	-	-	83,953
Mutual funds	2,876,248	-	-	2,876,248
Exchange traded funds	<u>720,774</u>	-	-	<u>720,774</u>
Total	<u>3,680,975</u>	<u>-</u>	<u>-</u>	<u>3,680,975</u>

12. Fair Value Measurements (Continued)

Assets at Fair Value as of June 30, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	71,057	-	-	71,057
Mutual funds	2,761,957	-	-	2,761,957
Exchange traded funds	619,944	-	-	619,944
Total	<u>3,452,958</u>	<u>-</u>	<u>-</u>	<u>3,452,958</u>

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

13. Beneficial Interest in Foundation

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

Funds belonging to The Foundation are not automatically available to The Arc, but must be requested for specific purposes through a formal process that The Foundation controls. This process involves a review of amounts available for annual distribution and formal approval of funding requests by The Foundation's board. The Foundation transferred \$202,000 and \$284,971 to The Arc during the years ended June 30, 2018 and 2017, which was included in contribution revenue.

14. Subsequent Events

The Arc and GREAT are required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the consolidated financial statements. Each entity performed such an evaluation through December 5, 2018, the date which the consolidated financial statements were available to be issued, and noted no such subsequent events.

SUPPLEMENTARY INFORMATION

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	49,406	216,708	55,704
Title XIX	1,046,306	-	9,864,541
United Way	-	14,630	-
Contributions	135,458	164,472	69,652
Service fees	-	476,147	-
Other public support	-	34,855	-
Total public support	<u>1,231,170</u>	<u>906,812</u>	<u>9,989,897</u>
 <u>Revenue:</u>			
Sales revenue	3,218,743	-	-
Membership dues	-	-	-
Investment income	-	-	-
Change in interest in Foundation	-	-	-
Other income	2,856	13,790	36,156
Total revenue	<u>3,221,599</u>	<u>13,790</u>	<u>36,156</u>
 Total public support and revenue	 4,452,769	 920,602	 10,026,053
 Total salaries and payroll related expenses	 3,030,175	 770,681	 7,800,233
 Total other expenses before depreciation	 <u>840,521</u>	 <u>144,153</u>	 <u>1,361,089</u>
 Total expenses before depreciation	 3,870,696	 914,834	 9,161,322
 Depreciation expense	 <u>69,934</u>	 <u>39,365</u>	 <u>125,400</u>
 Total expenses	 <u>3,940,630</u>	 <u>954,199</u>	 <u>9,286,722</u>
 Change in net assets	 <u>512,139</u>	 <u>(33,597)</u>	 <u>739,331</u>

<u>Leisure Services</u>	<u>Management and General</u>	<u>Total</u>
-	-	321,818
-	-	10,910,847
-	-	14,630
233,193	22,906	625,681
52,406	-	528,553
-	-	34,855
<u>285,599</u>	<u>22,906</u>	<u>12,436,384</u>
-	-	3,218,743
-	9,220	9,220
-	245,337	245,337
-	261,300	261,300
4,042	11,938	68,782
<u>4,042</u>	<u>527,795</u>	<u>3,803,382</u>
289,641	550,701	16,239,766
154,145	865,883	12,621,117
<u>104,468</u>	<u>430,316</u>	<u>2,880,547</u>
258,613	1,296,199	15,501,664
<u>58,558</u>	<u>47,525</u>	<u>340,782</u>
<u>317,171</u>	<u>1,343,724</u>	<u>15,842,446</u>
<u>(27,530)</u>	<u>(793,023)</u>	<u>397,320</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-

ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Adult Services Per Books</u>	<u>Eliminations Increase (Decrease)</u>	<u>Adult Services Per Report</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	49,406	-	49,406
Title XIX	1,046,306	-	1,046,306
Contributions	135,458	-	135,458
Service Fees	<u>225,514</u>	<u>(225,514)</u>	<u>-</u>
Total public support	1,456,684	(225,514)	1,231,170
<u>Revenue:</u>			
Sales revenue	3,218,743	-	3,218,743
Other income	<u>2,856</u>	<u>-</u>	<u>2,856</u>
Total revenue	<u>3,221,599</u>	<u>-</u>	<u>3,221,599</u>
Total public support and revenue	4,678,283	(225,514)	4,452,769
Total salaries and payroll related expenses	3,030,175	-	3,030,175
Total other expenses before depreciation	<u>840,521</u>	<u>-</u>	<u>840,521</u>
Total expenses before depreciation	3,870,696	-	3,870,696
Depreciation expense	<u>69,934</u>	<u>-</u>	<u>69,934</u>
Total expenses	<u>3,940,630</u>	<u>-</u>	<u>3,940,630</u>
Change in net assets	<u>737,653</u>	<u>(225,514)</u>	<u>512,139</u>

Residential Services Per Books	Eliminations Increase (Decrease)	Residential Services Per Report
55,704	-	55,704
9,864,541	-	9,864,541
69,652	-	69,652
-	-	-
<u>9,989,897</u>	<u>-</u>	<u>9,989,897</u>
-	-	-
<u>36,156</u>	<u>-</u>	<u>36,156</u>
<u>36,156</u>	<u>-</u>	<u>36,156</u>
10,026,053	-	10,026,053
7,800,233	-	7,800,233
<u>1,586,603</u>	<u>(225,514)</u>	<u>1,361,089</u>
9,386,836	(225,514)	9,161,322
<u>125,400</u>	<u>-</u>	<u>125,400</u>
<u>9,512,236</u>	<u>(225,514)</u>	<u>9,286,722</u>
<u>513,817</u>	<u>225,514</u>	<u>739,331</u>

THE ARC CADDO-BOSSIER

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

FOR THE YEAR ENDED JUNE 30, 2018

Agency Head: Janet Parker

Salary	89,649
Cell phone	944
Car lease	7,531
Travel	3,929
Training	17,271
Conference travel	4,067
Car insurance	2,394

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

December 5, 2018

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

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2018.

Internal Control over Financial Reporting

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

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. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal controls that we consider to be a significant deficiency.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2018-01 to be a significant deficiency.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Compliance and Other Matters

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

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Arc Caddo-Bossier.
2. One significant deficiency and no material weaknesses relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of The Arc Caddo-Bossier were disclosed during the audit.
4. The Arc Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

2018-01 OFS Support Billings

During our audit tests of billings to OFS for support payments for group home residents we noted five instances where the requested payment amount was based on an incorrect level of need factor for the resident. These errors apparently resulted from a failure by the Residential Services Division to notify the Business Office of a change in the resident's level of need during the billing process. Appropriate communications and procedures have been implemented to prevent such an error in the future, and a review of 2018 OFS billings has determined that the total amount of the underbilling resulting from this error is not material for the fiscal year.

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC CADDO-BOSSIER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2017-01 Accounts Receivable - Resolved

THE ARC CADDO-BOSSIER
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2018-01 OFS Support Billings

We agree with the finding and have implemented corrective action.