

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2021

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS



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December 30, 2021

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, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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. 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.

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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited The Arc Caddo-Bossier's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

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 20 through 23 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 30, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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, 2021

<u>A S S E T S</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash and cash equivalents	3,653,458	3,102,653
Investments-Notes 8 and 13	4,930,572	3,780,256
Accounts receivable-Note 4	1,996,186	1,452,500
Prepaid expenses and other assets	215,665	259,881
Land, building, and equipment, net-Note 5	2,291,871	2,532,401
Beneficial interest in foundation-Note 14	8,158,891	6,508,052
	<u>21,246,643</u>	<u>17,635,743</u>
Total assets	<u>21,246,643</u>	<u>17,635,743</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	118,695	151,178
Accrued payroll and related liabilities	698,359	738,877
Accrued expenses	93,822	84,874
Total liabilities	<u>910,876</u>	<u>974,929</u>
Net assets:		
Without donor restrictions:-Note 3		
Undesignated	9,358,704	8,761,875
Designated by the Board	2,710,003	1,323,743
	<u>12,068,707</u>	<u>10,085,618</u>
With donor restrictions-Note 3	8,267,060	6,575,196
Total net assets	<u>20,335,767</u>	<u>16,660,814</u>
Total liabilities and net assets	<u>21,246,643</u>	<u>17,635,743</u>

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

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Public support and revenue:</u>				
<u>Public support:</u>				
State of Louisiana	257,847	-	257,847	341,222
Title XIX	10,565,364	-	10,565,364	11,139,712
United Way	1,015	-	1,015	1,577
Contributions	803,893	41,025	844,918	583,107
Service fees	518,757	-	518,757	657,342
Other public support	34,666	-	34,666	26,738
Total public support	<u>12,181,542</u>	<u>41,025</u>	<u>12,222,567</u>	<u>12,749,698</u>
 <u>Revenue:</u>				
Sales revenue	3,545,820	-	3,545,820	3,356,502
Membership dues	6,365	-	6,365	6,500
Net investment (loss) income-Note 8	1,149,165	-	1,149,165	(55,475)
Change in interest in Foundation	-	1,650,839	1,650,839	(313,251)
Other income	447,337	-	447,337	59,512
Total revenue	<u>5,148,687</u>	<u>1,650,839</u>	<u>6,799,526</u>	<u>3,053,788</u>
 Total public support and revenue	 17,330,229	 1,691,864	 19,022,093	 15,803,486
 <u>Expenses:</u>				
Adult services	4,335,163	-	4,335,163	4,513,940
Children services	949,517	-	949,517	930,758
Residential services	8,278,873	-	8,278,873	8,607,542
Leisure services	285,990	-	285,990	295,860
Management and general	1,497,597	-	1,497,597	1,426,544
Total expenses	<u>15,347,140</u>	<u>-</u>	<u>15,347,140</u>	<u>15,774,644</u>
 <u>Change in net assets</u>	 1,983,089	 1,691,864	 3,674,953	 28,842
 <u>Net assets-beginning of year</u>	 <u>10,085,618</u>	 <u>6,575,196</u>	 <u>16,660,814</u>	 <u>16,631,972</u>
 <u>Net assets-end of year</u>	 <u>12,068,707</u>	 <u>8,267,060</u>	 <u>20,335,767</u>	 <u>16,660,814</u>

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

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services		
	Adult Services	Children Services	Residential Services
Salaries	2,761,136	657,306	5,845,827
Payroll taxes	212,276	51,096	452,882
Other employee expenses	499,650	48,519	610,235
Total salaries and payroll related expenses	3,473,062	756,921	6,908,944
Professional	14,591	750	10,854
Insurance	107,583	2,834	75,759
Licenses	750	-	312,242
Office expense	6,662	3,988	15,807
Postage and publication	911	1,451	2,410
Dues and subscriptions	1,173	529	1,111
Telephone	16,176	1,815	17,355
Repairs and maintenance	64,171	8,537	85,224
Building services	2,679	12,272	36,372
Training	1,903	1,546	22,181
Travel and conventions	14,911	692	29,178
Operating supplies	273,524	50,842	8,097
Utilities	118,823	11,965	106,596
Vehicle and equipment lease	42,596	2,172	24,868
Property tax	-	-	-
Food	846	57,204	160,675
Household supplies	3	3,520	32,027
Clothing	-	-	9,531
Personal necessities	-	-	11,045
Medical and therapy	-	-	41,434
Transportation and outing	-	-	49
Consultant fees	-	-	195,230
Interest	-	-	-
Other	82,008	127	64,107
Total other expenses before depreciation	749,310	160,244	1,262,152
Total expenses before depreciation	4,222,372	917,165	8,171,096
<u>Depreciation expense</u>	112,791	32,352	107,777
<u>Total expenses</u>	4,335,163	949,517	8,278,873

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

Program Services	Supporting Services		
Leisure Services	Management and General	June 30, 2021	June 30, 2020
116,044	836,710	10,217,023	10,545,646
9,152	62,691	788,097	820,158
819	128,804	1,288,027	1,192,808
<u>126,015</u>	<u>1,028,205</u>	<u>12,293,147</u>	<u>12,558,612</u>
1,525	140,285	168,005	159,711
9,404	101,993	297,573	276,870
-	-	312,992	313,771
4,371	31,571	62,399	52,614
110	2,401	7,283	5,766
100	23,423	26,336	23,269
3,785	4,644	43,775	45,225
1,433	28,661	188,026	234,316
4,949	18,747	75,019	74,555
7,012	2,935	35,577	47,429
1,718	4,868	51,367	77,561
38,313	5,025	375,801	382,411
7,604	10,495	255,483	251,748
-	17,266	86,902	100,302
-	-	-	88
878	3,815	223,418	211,944
-	544	36,094	35,281
-	-	9,531	7,425
-	-	11,045	16,064
19,082	1,510	62,026	52,303
-	-	49	1,271
3,585	-	198,815	371,292
-	312	312	51
1,482	29,484	177,208	141,155
<u>105,351</u>	<u>427,979</u>	<u>2,705,036</u>	<u>2,882,422</u>
231,366	1,456,184	14,998,183	15,441,034
<u>54,624</u>	<u>41,413</u>	<u>348,957</u>	<u>333,610</u>
<u><u>285,990</u></u>	<u><u>1,497,597</u></u>	<u><u>15,347,140</u></u>	<u><u>15,774,644</u></u>

THE ARC CADDO-BOSSIER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	3,674,953	28,842
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	348,957	333,610
(Gain) on sale of fixed assets	(36,514)	(6,121)
Net realized and unrealized (gains) losses on investments	(1,065,445)	154,584
Change in interest in Foundation	(1,846,743)	123,962
(Increase) decrease in accounts receivable	(543,686)	255,882
(Increase) decrease in prepaid expenses and other assets	44,216	(8,194)
Increase (decrease) in accounts payable	(32,483)	16,854
Increase (decrease) in payroll liabilities	(40,518)	135,018
Increase in accrued expenses	8,948	5,712
Total adjustments	<u>(3,163,268)</u>	<u>1,011,307</u>
Net cash provided by operating activities	511,685	1,040,149
<u>Cash flows from investing activities:</u>		
Sales of investments	701,392	404,363
Purchase of investments	(786,263)	(503,300)
Distributions from Foundation	195,904	189,289
Purchase of fixed assets	(110,183)	(428,157)
Proceeds from sale of fixed assets	38,270	9,828
Net cash provided (used) by investing activities	<u>39,120</u>	<u>(327,977)</u>
<u>Net increase in cash and cash equivalents</u>	550,805	712,172
<u>Cash and cash equivalents at beginning of year</u>	<u>3,102,653</u>	<u>2,390,481</u>
<u>Cash and cash equivalents at end of year</u>	<u><u>3,653,458</u></u>	<u><u>3,102,653</u></u>
<u>Supplemental disclosures:</u>		
Cash paid for interest	<u><u>312</u></u>	<u><u>51</u></u>

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

THE ARC CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

1. Nature of Business

The Arc Caddo-Bossier (The Arc) 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, generally in the following functional areas:

- 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:

Without donor restrictions-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.

With donor restrictions-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc, the passage of time, or that they be maintained permanently. Donor restricted net assets are detailed in Note 3.

2. Summary of Significant Accounting Policies (Continued)

b) Contributions:

Contributions received are recorded as support without donor restrictions or with donor restrictions, 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 Arc that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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:

Investments are accounted for at fair value. Realized gains and losses on the sale of securities are determined using the specific identification method. Net investment return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses. Investment income is reported net of external investment expenses.

e) Revenue and Revenue Recognition:

Revenues from program fees, which include residential support for individuals and day support services derive from the provision of specific services that customarily include community and group home living and daily activity support under state-sponsored programs for individuals with intellectual and developmental disabilities in Northwest Louisiana. Transaction price is based on standard rates authorized by applicable governing authority billed out according to specific units of service provided. Program fees are billed out at the end of the month with a payment term of 30 days. Performance obligations under these arrangements, which consist of a series of distinct promises that generally have the same pattern of transfer on a monthly basis, are satisfied over time as the services are provided. 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.

Revenues from contract services, which include both federal and state-sourced contracts, derive from the provision of specific services that customarily include janitorial, groundskeeping, and laundry in Northwest Louisiana. The contracts generally are for one year, with automatic renewals that allow termination notice by either party without penalty. Negotiated contract prices are based generally on a fixed amount for a standard period of a day, week, or month for a specific set of services to be performed. Contract services are billed out immediately following performance due upon receipt. Performance obligations under these contracts, which consist of a series of distinct promises that generally have the same pattern of transfer on a monthly basis, are satisfied over time as the service is provided.

f) 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.

2. Summary of Significant Accounting Policies (Continued)

g) 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.

h) Advertising Costs:

When significant, costs of advertising are expensed as incurred. Advertising expense for years ending June 30, 2021 and 2020 was \$-0-.

i) 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.

j) 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 2018 and beyond remain subject to examination by the Internal Revenue Service.

k) Functional Expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fund-raising expenses are not significant.

l) 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.

2. Summary of Significant Accounting Policies (Continued)

m) 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.

n) Trade Receivables:

Trade receivables from contract work, service fees, and other third-party reimbursement plans 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 periodically reviews its outstanding receivables for collectability. Past due status of receivables is based on their contractual terms.

o) Comparative Financial Statements:

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with The Arc's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

p) Contributed Services:

Many individuals volunteer their time and perform a variety of tasks that assist The Arc. The volunteer hours have not been recorded in the statement of activities.

q) Property and Equipment:

Acquisitions of property and equipment are recorded at cost. Donated property is recorded at its estimated fair value at the date of receipt. Currently, there are no donor or legal restrictions on the proceeds from the disposition of donated property. Improvements and replacements of buildings and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of operations. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight line method.

3. Net Assets

Net assets consist of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net assets without donor restrictions:		
Undesignated:		
Without Board designations	7,066,833	6,229,474
Invested in property and equipment, net of related debt	<u>2,291,871</u>	<u>2,532,401</u>
Total undesignated	9,358,704	8,761,875
Designated by the Board:		
For adult services	50,379	48,913
For worker's compensation claims	<u>2,659,624</u>	<u>1,274,830</u>
Total designated	<u>2,710,003</u>	<u>1,323,743</u>
Total without donor restrictions	12,068,707	10,085,618
Net assets with donor restrictions:		
For purposes to be determined by The Arc Caddo-Bossier Foundation	8,108,891	6,458,052
For purposes of child services education	108,169	67,144
Restricted in perpetuity through The Arc Caddo-Bossier Foundation	<u>50,000</u>	<u>50,000</u>
Total with donor restrictions	<u>8,267,060</u>	<u>6,575,196</u>
Total net assets	<u><u>20,335,767</u></u>	<u><u>16,660,814</u></u>

4. Accounts Receivable

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contract work	814,709	458,037
State of Louisiana	33,061	7,149
Title XIX	1,085,204	937,321
Other	<u>63,212</u>	<u>49,993</u>
Total	<u><u>1,996,186</u></u>	<u><u>1,452,500</u></u>

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. Title XIX receivables are presented net of an allowance for estimated denied claims of \$159,413 and \$213,472 for the years ended June 30, 2021 and 2020, respectively. There are no significant contract assets or liabilities related to The Arc's revenue recognized in accordance with the provisions of ASC No. 2014-09.

5. Land, Building, and Equipment

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Buildings	3,440,354	3,440,354
Improvements	2,217,916	2,189,581
Equipment	3,263,699	3,220,404
Vehicles	601,114	633,798
Total depreciable assets	<u>9,523,083</u>	<u>9,484,137</u>
Accumulated depreciation	<u>(7,668,778)</u>	<u>(7,396,269)</u>
Book value of depreciable assets	1,854,305	2,087,868
Land	437,566	437,566
Construction in progress	<u>-</u>	<u>6,967</u>
Book value of fixed assets	<u><u>2,291,871</u></u>	<u><u>2,532,401</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:

2022	44,069
2023	37,089
2024	29,489
2025	3,648
2026	-
	<u>114,295</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, 2021 and 2020.

8. Investments

Investments are summarized as follows:

	June 30, 2021		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	943,554	954,812	11,258
Equity funds	2,655,731	3,921,884	1,266,153
Money market funds	53,876	53,876	-
Totals	<u>3,653,161</u>	<u>4,930,572</u>	<u>1,277,411</u>
	June 30, 2020		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	956,437	975,848	19,411
Equity funds	2,421,222	2,728,644	307,422
Money market funds	75,764	75,764	-
Totals	<u>3,453,423</u>	<u>3,780,256</u>	<u>326,833</u>

Net investment income (loss) consists of the following:

	June 30, 2021	June 30, 2020
Interest and dividends	104,751	116,933
Net realized gains	114,868	4,413
Net unrealized gains (losses)	950,577	(158,997)
Investment management fees	(21,031)	(17,824)
	<u>1,149,165</u>	<u>(55,475)</u>

9. Line of Credit and Borrowings

The Arc has a line of credit with a local bank, renewed in February 2021, with a maximum borrowing limit of \$100,000. The credit line is secured by an investment brokerage account having an estimated market value of \$4,930,572 at June 30, 2021. 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, 2021 and 2020.

10. Conditional Promises

Conditional promises consist of the unfunded portions of approved grants, either currently in effect or approved for commencement after June 30, 2021. 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 \$396,000 and \$358,000, respectively, at June 30, 2021 and 2020.

11. Related Party Transactions

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.i; The Arc controls and has a 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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Current assets	37,982	15,679
Fixed assets, net	291,637	308,433
Other assets	<u>31,482</u>	<u>41,736</u>
Total assets	<u><u>361,101</u></u>	<u><u>365,848</u></u>
Current liabilities	76,809	52,115
Long-term debt, less current portion	<u>276,844</u>	<u>314,556</u>
Total liabilities	353,653	366,671
Net assets (deficit)	<u>7,448</u>	<u>(823)</u>
Total liabilities and net assets	<u><u>361,101</u></u>	<u><u>365,848</u></u>

Louisiana Disabled Persons Housing Corporation
Summarized Statements of Activities
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Income	244,236	237,204
Expenses	<u>235,965</u>	<u>218,178</u>
Change in net assets	8,271	19,026
Net assets (deficit), beginning	<u>(823)</u>	<u>(19,849)</u>
Net assets (deficit), ending	<u><u>7,448</u></u>	<u><u>(823)</u></u>

11. Related Party Transactions (Continued)

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

	June 30, 2021			
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>651,870</u>	<u>(5,008)</u>	<u>(614,309)</u>	<u>(32,553)</u>
	June 30, 2020			
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>655,825</u>	<u>(7,844)</u>	<u>(638,582)</u>	<u>(9,399)</u>

12. Liquidity and Availability

The Arc manages its financial assets available to meet general operating expenditures with the guiding principle of operating within a prudent range of financial soundness and stability. At June 30, 2021 and 2020, financial assets (net of applicable donor restrictions) consisting of cash, cash equivalents, and accounts receivable that are available for general operating expenditure within one year of the balance sheet date amounted to \$5,541,475 and \$4,488,009. Although not routinely accessed for general operations, the portfolio of marketable securities of \$4,930,572 and \$3,780,256 as of June 30, 2021 and 2020 also is available for operating purposes. In addition, a credit facility of \$100,000 is in place for borrowing needs.

13. 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, 2021</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	53,876	-	-	53,876
Equity funds	3,921,884	-	-	3,921,884
Bond funds	954,812	-	-	954,812
Total	<u>4,930,572</u>	<u>-</u>	<u>-</u>	<u>4,930,572</u>

13. Fair Value Measurements (Continued)

Assets at Fair Value as of June 30, 2020

	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	75,764	-	-	75,764
Equity funds	2,728,644	-	-	2,728,644
Bond funds	975,848	-	-	975,848
Total	<u>3,780,256</u>	<u>-</u>	<u>-</u>	<u>3,780,256</u>

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1).

14. Beneficial Interest in Foundation

Beneficial interest represents The Arc's share of net assets available to The Arc from The Arc Foundation (The 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 \$195,904 and \$189,289 to The Arc during the years ended June 30, 2021 and 2020. These amounts are included in the Change in Beneficial Interest on the Statement of Activities.

15. Retroactive Adjustments and Settlements

Revenue for services rendered to Medicaid program beneficiaries is based on prospectively determined daily rates established by the State of Louisiana Department of Health and Hospitals. Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge The Arc's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon The Arc.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and The Arc's historical settlement activity, including an assessment to ensure that it is probable that a significant

15. Retroactive Adjustments and Settlements (Continued)

reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews, and investigations.

16. Contingencies

Provider Relief Funds of approximately \$365,000 from the U.S. Department of Health and Human Services in the form of grants are subject to special audit. Such audits could result in claims against The Arc for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. These amounts are included in Other income on the Statement of Activities.

17. Uncertainties Arising due to the Pandemic

In March 2020, the World Health Organization declared the coronavirus outbreak 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 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 The Arc operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Arc, it is continuing to evaluate its investment strategies and monitor changes in revenue including investment returns as well as gift contributions.

18. New Accounting Guidance Adopted

The Arc adopted Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," as amended, as management believes the standard improves the usefulness and understandability of its financial reporting. It also adopted ASU No. 2018-08, "Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." Together, these standards replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers and help distinguish contributions from revenue contracts. 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. These standards are effective for fiscal years beginning after December 15, 2019. The Arc adopted this standard for the year ended June 30, 2021. Analysis of the provisions of these standards resulted in no significant changes in the way The Arc recognizes revenue; however, presentation and disclosures of revenue and related assets have been enhanced in accordance with these standards.

The following table disaggregates The Arc's revenue subject to the provisions of ASU No. 2014-09 based on clients serviced and services provided.

	FYE 2021	FYE 2020
State of Louisiana		
OCDD Support Day Hab	27,759	70,503
OCDD Support Childrens Services	550	-
CCAA - Early Head Start	180,759	215,533
OCDD Residential Services	48,779	55,186
	<u>257,847</u>	<u>341,222</u>

18. New Accounting Guidance Adopted (Continued)

	FYE 2021	FYE 2020
Title XIX		
Waiver Support Day Hab	732,503	1,022,892
Waiver Support Community Living and Support Services	4,180,226	6,134,182
Waiver Support Community Homes	5,652,635	3,982,638
	<u>10,565,364</u>	<u>11,139,712</u>
Service Fees		
Day Hab Service Fees	81,695	225,311
Childrens Services Tuition and Fees		
Typical Children Service Fees (private pay)	282,322	261,349
Special Needs Service Fees (subsidized)	118,112	121,698
Leisure Services Instructional Fees	36,628	48,984
	<u>518,757</u>	<u>657,342</u>
Sales Revenue		
Barksdale Contracts	2,209,585	2,158,971
Other Adult Service Contracts	1,336,235	1,197,531
	<u>3,545,820</u>	<u>3,356,502</u>
Membership Dues	<u>6,365</u>	<u>6,500</u>

19. Accounting Guidance/Principles Not Yet Adopted

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, 2021, and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective

19. Accounting Guidance/Principles Not Yet Adopted (Continued)

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 March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform” (Topic 848). This ASU provides temporary optional guidance intended to ease the burden of accounting for changes to certain contracts, hedging relationships and other transactions affected by reference rate reform. The ASU is effective December 31, 2022. The Arc is currently evaluating the potential impact of adopting this guidance on its financial statements.

20. 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 30, 2021, 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, 2021

	<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	27,759	181,309	48,779
Title XIX	732,503	-	9,832,861
United Way	-	1,015	-
Contributions	165,671	323,616	-
Service fees	81,695	400,434	-
Other public support	600	33,550	-
Total public support	<u>1,008,228</u>	<u>939,924</u>	<u>9,881,640</u>
<u>Revenue:</u>			
Sales revenue	3,545,820	-	-
Membership dues	-	-	-
Net investment (loss)	-	-	-
Change in interest in Foundation	-	-	-
Other income	43,741	2,930	21,552
Total revenue	<u>3,589,561</u>	<u>2,930</u>	<u>21,552</u>
Total public support and revenue	4,597,789	942,854	9,903,192
Total salaries and payroll related expenses	3,473,062	756,921	6,908,944
Total other expenses before depreciation	<u>749,310</u>	<u>160,244</u>	<u>1,262,152</u>
Total expenses before depreciation	4,222,372	917,165	8,171,096
Depreciation expense	<u>112,791</u>	<u>32,352</u>	<u>107,777</u>
Total expenses	<u>4,335,163</u>	<u>949,517</u>	<u>8,278,873</u>
Change in net assets	<u>262,626</u>	<u>(6,663)</u>	<u>1,624,319</u>

<u>Leisure Services</u>	<u>Management and General</u>	<u>Total</u>
-	-	257,847
-	-	10,565,364
-	-	1,015
209,772	145,859	844,918
36,628	-	518,757
-	516	34,666
<u>246,400</u>	<u>146,375</u>	<u>12,222,567</u>
-	-	3,545,820
-	6,365	6,365
-	1,149,165	1,149,165
-	1,650,839	1,650,839
7,077	372,037	447,337
<u>7,077</u>	<u>3,178,406</u>	<u>6,799,526</u>
253,477	3,324,781	19,022,093
126,015	1,028,205	12,293,147
<u>105,351</u>	<u>427,979</u>	<u>2,705,036</u>
231,366	1,456,184	14,998,183
<u>54,624</u>	<u>41,413</u>	<u>348,957</u>
<u>285,990</u>	<u>1,497,597</u>	<u>15,347,140</u>
<u>(32,513)</u>	<u>1,827,184</u>	<u>3,674,953</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-

ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS

FOR THE YEAR ENDED JUNE 30, 2021

	<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	27,759	-	27,759
Title XIX	732,503	-	732,503
Contributions	165,671	-	165,671
Service Fees	163,390	(81,695)	81,695
Other Public Support	600	-	600
Total public support	<u>1,089,923</u>	<u>(81,695)</u>	<u>1,008,228</u>
 <u>Revenue:</u>			
Sales revenue	3,545,820	-	3,545,820
Other income	43,741	-	43,741
Total revenue	<u>3,589,561</u>	<u>-</u>	<u>3,589,561</u>
Total public support and revenue	4,679,484	(81,695)	4,597,789
Total salaries and payroll related expenses	3,473,062	-	3,473,062
Total other expenses before depreciation	<u>749,310</u>	<u>-</u>	<u>749,310</u>
Total expenses before depreciation	4,222,372	-	4,222,372
Depreciation expense	<u>112,791</u>	<u>-</u>	<u>112,791</u>
Total expenses	<u>4,335,163</u>	<u>-</u>	<u>4,335,163</u>
Change in net assets	<u><u>344,321</u></u>	<u><u>(81,695)</u></u>	<u><u>262,626</u></u>

Residential Services Per Books	Eliminations Increase (Decrease)	Residential Services Per Report
48,779	-	48,779
9,832,861	-	9,832,861
-	-	-
-	-	-
-	-	-
<u>9,881,640</u>	<u>-</u>	<u>9,881,640</u>
-	-	-
<u>21,552</u>	<u>-</u>	<u>21,552</u>
<u>21,552</u>	<u>-</u>	<u>21,552</u>
9,903,192	-	9,903,192
6,908,944	-	6,908,944
<u>1,343,847</u>	<u>(81,695)</u>	<u>1,262,152</u>
8,252,791	(81,695)	8,171,096
<u>107,777</u>	<u>-</u>	<u>107,777</u>
<u>8,360,568</u>	<u>(81,695)</u>	<u>8,278,873</u>
<u><u>1,542,624</u></u>	<u><u>81,695</u></u>	<u><u>1,624,319</u></u>

THE ARC CADDO-BOSSIER

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

FOR THE YEAR ENDED JUNE 30, 2021

Agency Head: Janet Parker (07/01/2020-01/04/2021)

Salary	69,514
Retirement Gift	1,500
Benefit-Cellphone	373
Travel-Gasoline and related car expenses	2,270
Conference Travel	395
Car Insurance	3,034

THE ARC CADDO-BOSSIER

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

FOR THE YEAR ENDED JUNE 30, 2021

Agency Head: Kristen Powers (12/01/2020 - 06/30/2021)

Salary	55,933
Cell phone	937
Travel-Gasoline and related car expenses	17
Conference travel	560

OTHER REPORTS



REGIONS TOWER
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318.429.1525 (P) | 318.429.2124 (F)

December 30, 2021

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, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 30, 2021.

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) as a basis for designing 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Arc Caddo-Bossier’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 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 consolidated 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 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, 2021

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. No significant deficiencies 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

None

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, 2021

No matters were reported in the prior year.

THE ARC CADDO-BOSSIER
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

No findings