

THE ARC OF ACADIANA, INC.

Financial Statements

Years Ended June 30, 2021 (Audited)
and 2020 (Reviewed)



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Independent Auditor's Report

To the Board of Directors
The Arc of Acadiana, Inc.
New Iberia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Arc of Acadiana, Inc., which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Acadiana, Inc. 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 2020 Financial Statements

The financial statements of The Arc of Acadiana, Inc., as of and for the year ended June 30, 2020, were reviewed by us and our report thereon, dated December 9, 2020, stated that, based on our procedures, we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we did not express such an opinion.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022 on our consideration of The Arc of Acadiana, Inc.'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 Arc of Acadiana, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc of Acadiana, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
March 21, 2022

THE ARC OF ACADIANA, INC.
Statements of Financial Position
June 30, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 22,823,275	\$ 17,421,078
Investments	6,747,670	8,132,194
Receivables	158,631	142,251
Due from Other Agencies, Net	1,400,029	2,717,414
Prepaid Expenses	124,844	234,999
Other Current Assets	27,382	27,085
	<hr/>	<hr/>
Total Current Assets	31,281,831	28,675,021
Fixed Assets		
Property and Equipment, Net	14,997,953	15,668,983
	<hr/>	<hr/>
Total Fixed Assets	14,997,953	15,668,983
Other Assets		
Deposits Held for Others	290,599	290,055
Assets Held for Sale	493,850	-
	<hr/>	<hr/>
Total Other Assets	784,449	290,055
	<hr/>	<hr/>
Total Assets	\$ 47,064,233	\$ 44,634,059

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

THE ARC OF ACADIANA, INC.
Statements of Financial Position (Continued)
June 30, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 324,731	\$ 520,275
Accrued Liabilities	801,405	736,363
Accrued Compensated Absences	460,639	454,036
	<hr/>	<hr/>
Total Current Liabilities	1,586,775	1,710,674
Other Liabilities		
Deposits Held for Others	290,599	290,055
Other Liabilities	-	2,233
	<hr/>	<hr/>
Total Other Liabilities	290,599	292,288
	<hr/>	<hr/>
Total Liabilities	1,877,374	2,002,962
Net Assets		
Without Donor Restrictions	44,805,779	42,105,829
With Donor Restrictions	381,080	525,268
	<hr/>	<hr/>
Total Net Assets	45,186,859	42,631,097
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 47,064,233	\$ 44,634,059

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

THE ARC OF ACADIANA, INC.
Statement of Activities
For the Year Ended June 30, 2021 (Audited)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Program Revenue	\$ 23,831,288	\$ -	\$ 23,831,288
Provider Relief Funds	1,346,246	-	1,346,246
Contributions	736,170	50,468	786,638
Contribution Received in Donation of The Arc of Vermillion, Inc.	555,100	-	555,100
Investment Return, Net	293,111	-	293,111
Miscellaneous Revenue	43,941	-	43,941
Membership Revenue	13,231	-	13,231
	<u>26,819,087</u>	<u>50,468</u>	<u>26,869,555</u>
Net Assets Released from Restrictions			
Expiration of Time Restrictions	194,656	(194,656)	-
	<u>27,013,743</u>	<u>(144,188)</u>	<u>26,869,555</u>
Expenses and Losses			
Program Expenses			
Community Services	9,465,370	-	9,465,370
Employment Services	4,523,433	-	4,523,433
Residential Services	7,857,356	-	7,857,356
Supporting Expenses			
General and Administrative	2,276,551	-	2,276,551
	<u>24,122,710</u>	<u>-</u>	<u>24,122,710</u>
Loss on Sale of Property and Equipment	3,609	-	3,609
Impairment Loss	187,474	-	187,474
	<u>24,313,793</u>	<u>-</u>	<u>24,313,793</u>
Change in Net Assets	2,699,950	(144,188)	2,555,762
Net Assets, Beginning of Year	<u>42,105,829</u>	<u>525,268</u>	<u>42,631,097</u>
Net Assets, End of Year	<u>\$ 44,805,779</u>	<u>\$ 381,080</u>	<u>\$ 45,186,859</u>

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

THE ARC OF ACADIANA, INC.
Statement of Activities
For the Year Ended June 30, 2020 (Reviewed)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Program Revenue	\$ 26,224,346	\$ -	\$ 26,224,346
Contributions	594,952	212,700	807,652
Investment Return, Net	384,571	-	384,571
Miscellaneous Revenue	133,663	-	133,663
Membership Revenue	11,427	-	11,427
	<u>27,348,959</u>	<u>212,700</u>	<u>27,561,659</u>
Net Assets Released from Restrictions			
Expiration of Time Restrictions	198,310	(198,310)	-
Restrictions Satisfied by Purchases	72,712	(72,712)	-
	<u>271,022</u>	<u>(271,022)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>27,619,981</u>	<u>(58,322)</u>	<u>27,561,659</u>
Expenses and Losses			
Program Expenses			
Community Services	9,072,028	-	9,072,028
Employment Services	4,781,283	-	4,781,283
Residential Services	8,060,372	-	8,060,372
Supporting Expenses			
General and Administrative	2,278,733	-	2,278,733
Total Expenses	24,192,416	-	24,192,416
Loss on Sale of Property and Equipment	349,876	-	349,876
Total Expenses and Losses	<u>24,542,292</u>	<u>-</u>	<u>24,542,292</u>
Change in Net Assets	3,077,689	(58,322)	3,019,367
Net Assets, Beginning of Year	<u>39,028,140</u>	<u>583,590</u>	<u>39,611,730</u>
Net Assets, End of Year	<u>\$ 42,105,829</u>	<u>\$ 525,268</u>	<u>\$ 42,631,097</u>

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

THE ARC OF ACADIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2021 (Audited)

	Program Services			Supporting Services	Total
	Community Services	Employment Services	Residential Services	General and Administrative	
Advertising	\$ -	\$ 3,311	\$ 32	\$ 1,209	\$ 4,552
Assistance Payments	1,577	-	60	-	1,637
Bed Fees	-	-	627,202	-	627,202
Clothing	-	11	10,828	-	10,839
Cost of Sales	-	760,167	36,375	-	796,542
Data Processing	70,216	15,291	37,482	11,709	134,698
Depreciation	2,218	566,352	200,916	105,267	874,753
Dietary	2,322	4,867	307,874	8,626	323,689
Drugs and Drug Screening	120	144	13,075	-	13,339
Dues and Subscriptions	469	2,615	935	37,770	41,789
Employee Benefits	389,148	91,853	358,834	85,373	925,208
Gifts and Remembrances	676	1,033	1,402	1,543	4,654
Insurance	20,138	356,449	163,480	75,683	615,750
Interest and Late Fees	50	574	693	77	1,394
Laundry and Linen	-	313	19,166	-	19,479
Lease Equipment	-	-	142	-	142
Licenses	200	2,879	8,071	654	11,804
Medical Services	2,114	678	42,292	-	45,084
Medical Supplies	14,524	11,960	159,632	202	186,318
Miscellaneous	43,723	6,064	(1,482)	882	49,187
Office Supplies	20,621	27,677	40,503	18,323	107,124
Payroll Taxes	637,076	133,767	337,335	93,659	1,201,837
Professional Fees	40,548	23,808	135,625	73,194	273,175
Purchase of Assets < \$5,000	1,356	112,922	67,835	1,338	183,451
Recruitment	1,986	257	1,928	47,517	51,688
Rent	-	84,325	-	-	84,325
Repairs and Maintenance	6,101	111,773	181,905	26,779	326,558
Salaries and Wages	8,169,854	1,800,393	4,517,023	1,570,254	16,057,524
Supplies	130	49,497	105,367	3,687	158,681
Taxes and Fees	-	2,279	9	25	2,313
Telephone	6,392	32,297	48,657	43,137	130,483
Training	2,865	1,505	1,960	31,158	37,488
Transportation	11,569	176,503	46,024	12,000	246,096
Travel	13,671	465	5,882	2,688	22,706
Utilities	5,706	141,404	380,294	23,797	551,201
Total	\$ 9,465,370	\$ 4,523,433	\$ 7,857,356	\$ 2,276,551	\$ 24,122,710

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

THE ARC OF ACADIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020 (Reviewed)

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Total</u>
	<u>Community Services</u>	<u>Employment Services</u>	<u>Residential Services</u>	<u>General and Administrative</u>	
Advertising	\$ -	\$ 9,524	\$ 152	\$ 6,957	\$ 16,633
Assistance Payments	1,186	-	-	-	1,186
Bed Fees	-	-	650,780	-	650,780
Clothing	-	-	12,759	-	12,759
Cost of Sales	-	589,895	16,170	-	606,065
Data Processing	71,042	19,598	40,239	10,989	141,868
Depreciation	2,218	492,133	169,047	107,664	771,062
Dietary	4,471	8,344	324,361	9,204	346,380
Drugs and Drug Screening	-	1,778	32,131	-	33,909
Dues and Subscriptions	1,022	1,489	10,916	44,482	57,909
Employee Benefits	287,924	102,792	301,624	101,877	794,217
Gifts and Remembrances	404	488	1,086	968	2,946
Insurance	29,671	397,813	203,012	74,099	704,595
Interest and Late Fees	180	140	891	127	1,338
Laundry and Linen	-	48	16,008	-	16,056
Licenses	700	2,454	7,409	318	10,881
Medical Services	3,419	564	20,929	-	24,912
Medical Supplies	8,978	5,160	143,604	399	158,141
Miscellaneous	16,302	9,883	16,749	32,146	75,080
Office Supplies	23,482	28,567	34,801	35,248	122,098
Payroll Taxes	605,059	172,513	348,076	90,464	1,216,112
Professional Fees	30,836	20,949	160,195	76,190	288,170
Purchase of Assets < \$5,000	5,494	28,850	54,333	7,853	96,530
Recruitment	-	-	137	49,078	49,215
Rent	-	94,925	-	-	94,925
Repairs and Maintenance	13,810	125,714	209,333	21,810	370,667
Salaries and Wages	7,911,657	2,161,588	4,680,978	1,497,614	16,251,837
Supplies	532	64,261	117,506	4,225	186,524
Taxes and Fees	-	-	12	2,672	2,684
Telephone	19,180	52,289	51,077	38,703	161,249
Training	920	320	525	34,653	36,418
Transportation	11,274	262,286	67,042	13,073	353,675
Travel	11,757	313	14,331	7,857	34,258
Utilities	10,510	126,605	354,159	10,063	501,337
Total	\$ 9,072,028	\$ 4,781,283	\$ 8,060,372	\$ 2,278,733	\$ 24,192,416

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

THE ARC OF ACADIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,555,762	\$ 3,019,367
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	874,753	771,062
Realized and Unrealized Gain on Investments, Net	(250,560)	(219,666)
Loss on Sale of Fixed Assets	3,609	349,876
Contribution Received in Acquisition of The Arc of Vermillion, Inc.	(555,100)	-
Impairment Loss	187,474	-
Donated Fixed Assets	-	(212,700)
(Increase) Decrease in Assets		
Receivables	(6,308)	1,143
Due from Other Agencies	1,336,880	(477,861)
Prepaid Expenses	153,339	(59,060)
Other Current Assets	(297)	1,050
Other Assets	-	10,317
Increase (Decrease) in Liabilities		
Accounts Payable	(198,542)	(97,496)
Accrued Liabilities	17,574	62,447
Accrued Compensated Absences	6,603	51,069
Deposits Held for Others and Other Liabilities	(1,689)	(16,493)
Net Cash Provided by Operating Activities	4,123,498	3,183,055
Cash Flows from Investing Activities		
Cash Received in Acquisition of The Arc of Vermillion, Inc.	61,280	-
Purchase of Fixed Assets	(528,218)	(2,693,377)
Proceeds from Sale of Fixed Assets	111,097	11,165
Purchase of Investments	(2,000,000)	-
Proceeds from Sale of Investments	3,635,084	879,817
Net Cash Provided by (Used in) Investing Activities	1,279,243	(1,802,395)
Net Increase in Cash, Cash Equivalents and Restricted Cash	5,402,741	1,380,660
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	17,711,133	16,330,473
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 23,113,874	\$ 17,711,133
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 107	\$ 249
Supplemental Schedule of Non-Cash Investing Activities		
Fair Value of Noncash Contributions Received in Acquisition of The Arc of Vermillion, Inc.	\$ 493,930	\$ -

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

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

Nature of Organization

The accompanying basic financial statements include the accounts of The Arc of Acadiana, Inc. (the Arc), a Louisiana nonprofit corporation originally chartered in August 1954. Arc's purpose is to promote the general welfare of developmentally disabled physically handicapped and incapacitated citizens in the Acadiana area and to aid their parents and families. The following is a description of the various programs:

Community Services

The programs listed below are consolidated into one program. These programs operate in New Iberia, Lafayette, Rayne, Vermilion and Opelousas, Louisiana.

Independent Living - Arc supervises adults who are developmentally disabled that live in their own home or apartment.

Personal Care Assistance (PCA) and Individual Family Support (IFS) - The PCA and IFS programs provide the services to the Independent Living program on more of a "one-on-one" basis. These programs are administered completely out of the clients' homes.

Employment Services

Employment Services is a day program for citizens of the community who are developmentally disabled. The day program operates in New Iberia, Lafayette, Iota, and Opelousas, Louisiana. Employment Services also operates several used clothing stores with locations in New Iberia, Lafayette, Eunice, Jeanerette, and Opelousas, Louisiana as well as provides various services such as janitorial and lawn care. Sales from these stores and services account for approximately 4% and 3% of program revenue for the years ended June 30, 2021 and 2020, respectively.

Residential Services

Residential Services provides homes in the Lafayette, New Iberia, Iota, Rayne, Vermilion and Bossier City, Louisiana areas for adults who are developmentally disabled.

Operating Fund

The operating fund is used to account for all general and administrative expenses of the Arc.

Basis of Accounting

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, Arc considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. See Note 9 for further information regarding the cash held for others.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

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

Cash and Cash Equivalents (Continued)

The following table provides a reconciliation of cash, cash equivalents and restricted cash as reported on the statements of financial position that sum to the total of such amounts reported on the statements of cash flows at June 30:

	2021	(Reviewed) 2020
Cash and Cash Equivalent - Unrestricted	\$ 22,823,275	\$ 17,421,078
Cash Held for Others	290,599	290,055
Total	\$ 23,113,874	\$ 17,711,133

Investments

Investments in certificates of deposit and money market funds are presented in the financial statements at cost which approximates fair market value. Investments in equity securities with readily determinable fair values and investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses, interest and dividends, and investment expenses are reported net of investment fees in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Allowance for Doubtful Accounts

Arc considers amounts due from other agencies to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Property and Equipment

Purchased property and equipment in excess of \$5,000 are capitalized and recorded at cost at the date of acquisition. Contributed property and equipment are recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, Arc has adopted a policy of implying a time restriction on contributions of such assets which expire over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

Depreciation and amortization are computed by the straight-line method at rates based on the following estimated useful lives:

Furniture and Equipment	5 - 20 Years
Building and Improvements	8 - 30 Years
Transportation Equipment	3 - 5 Years

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

Impairment of Long-Lived Assets

Arc reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is present when the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. During the years ended June 30, 2021 and 2020, there were no impairment losses recognized for long-lived assets.

Assets Held for Sale

Individual long-lived assets to be disposed of by sale are classified as assets held for sale. Assets held for sale are carried at the lower of their carrying amount or fair value less selling costs and are presented separately on the face of the statements of financial position. Upon classification as assets held for sale, the assets are no longer depreciated.

Assets held for sale consist of two properties. For the year ended June 30, 2021, Arc recognized \$187,474 in impairment loss related to one property. The adjustment was made to reflect decline in the estimated net realizable value of real property and building in the surrounding area and was included in impairment loss on the statement of functional expenses.

Revenue and Revenue Recognition

Program Revenues

A portion of Arc's program revenues are derived from cost-reimbursable federal and state contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Arc has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. There are no refundable advances as of June 30, 2021 or 2020.

Contributions

Arc recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. There were no conditional promises to give as of June 30, 2021 or 2020.

Arc has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of Arc's financial reporting.

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

Compensated Absences

Employees of Arc earn annual leave per month depending on years of service at a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours.

Upon resignation or termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours.

Non-Direct Response Advertising

Arc expenses advertising costs as incurred. Advertising expense charged to operations totaled \$4,552 and \$16,633 for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

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

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Arc believes that they have appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Use of Estimates

The preparation of the 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.

Fair Value of Financial Instruments

Investments in equity securities with readily determinable fair values and investments in debt securities are measured at fair value in the statements of financial position.

Arc follows the *Fair Value Measurement* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

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

Fair Value of Financial Instruments (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

Investments whose values are based on quoted market prices in active markets, and are therefore classified as Level 1, include but are not limited to actively traded equities and certain money market securities.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, less liquid listed equities, state, municipal and principal obligations, and most physical commodities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 4).

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. When possible, expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. The expenses that are allocated include salaries and wages, employee benefits, and payroll taxes which are allocated on the basis of estimates of time and effort.

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

Recent Accounting Pronouncements - Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in the United States of America generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Arc adopted the new revenue standard effective July 1, 2020. Arc has adopted ASU 2014-09 using the modified retrospective method with a cumulative-effect adjustment to net assets recognized as of the date of adoption. The majority of Arc's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on Arc's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to opening net assets as a result of this adoption.

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Arc is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations and enhances disclosures with respect to these contributions. The ASU will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Arc is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 2. Due from Other Agencies, Net

Due from other agencies, net at June 30, 2021 and 2020, consisted of the following:

	2021	(Reviewed) 2020
Due from Medicaid, Net	\$ 1,364,192	\$ 2,676,649
Due from Other Facilities, Net	19,292	6,308
Due from O.C.D.D.	15,128	15,795
Due from Louisiana Rehabilitation Services, Net	1,417	18,662
Total	\$ 1,400,029	\$ 2,717,414

Note 3. Investments

As more fully described in Note 1, investments are presented in the financial statements at fair value and are composed of the following as of June 30, 2021 and 2020:

	2021	(Reviewed) 2020
Cash - Money Market and Certificate of Deposit	\$ 271,098	\$ 1,491,944
Equity Securities	3,930,614	3,432,222
Debt Securities	2,545,958	3,208,028
Total	\$ 6,747,670	\$ 8,132,194

Note 4. Fair Value Measurements

Arc's assets recorded at fair value have been categorized based upon a fair value hierarchy with the *Fair Value Measurement* Topic of the FASB ASC. See Note 1 for a description of Arc's policies and valuation techniques.

The valuation of Arc's assets measured at fair value on a recurring basis at June 30, 2021 is as follows:

June 30, 2021	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	\$ 271,098	\$ -	\$ -	\$ 271,098
Corporate Fixed Income	955,843	69,522	-	1,025,365
Corporate Stocks and ETFs	1,117,719	-	-	1,117,719
Corporate Trusts	4,837	-	-	4,837
Open End Mutual Funds	2,808,058	-	-	2,808,058
U.S. Government Obligations	772,665	747,928	-	1,520,593
Total	\$ 5,930,220	\$ 817,450	\$ -	\$ 6,747,670

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The valuation of Arc's assets measured at fair value on a recurring basis at June 30, 2020 is as follows:

June 30, 2020 (Reviewed)	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	\$ 1,085,273	\$ 406,671	\$ -	\$ 1,491,944
Corporate Fixed Income	266,432	-	-	266,432
Corporate Stocks and ETFs	937,858	-	-	937,858
Corporate Trusts	48,635	-	-	48,635
Open End Mutual Funds	2,494,364	-	-	2,494,364
U.S. Government Obligations	2,892,961	-	-	2,892,961
Total	\$ 7,725,523	\$ 406,671	\$ -	\$ 8,132,194

Note 5. Property and Equipment, Net

Property and equipment, net at June 30, 2021 and 2020, consisted of the following:

June 30, 2021	Purchased Assets		Donated	Total
	Historical Cost		Value	
Land	\$ 1,596,114	\$ -	\$ -	\$ 1,596,114
Building and Improvements	15,322,435	-	-	15,322,435
Furniture and Equipment	1,016,542	42,300	-	1,058,842
Vehicles	1,208,470	2,013,925	-	3,222,395
Construction in Progress	135,879	-	-	135,879
	19,279,440	2,056,225	2,056,225	21,335,665
Less: Accumulated Depreciation	(4,662,568)	(1,675,144)	(1,675,144)	(6,337,712)
Net Property and Equipment	\$ 14,616,872	\$ 381,081	\$ 381,081	\$ 14,997,953

June 30, 2020 (Reviewed)	Purchased Assets		Donated	Total
	Historical Cost		Value	
Land	\$ 1,548,778	\$ -	\$ -	\$ 1,548,778
Building and Improvements	12,687,056	-	-	12,687,056
Furniture and Equipment	1,177,694	42,300	-	1,219,994
Vehicles	1,222,157	2,229,153	-	3,451,310
Construction in Progress	3,314,205	-	-	3,314,205
	19,949,890	2,271,453	2,271,453	22,221,343
Less: Accumulated Depreciation	(4,806,175)	(1,746,185)	(1,746,185)	(6,552,360)
Net Property and Equipment	\$ 15,143,715	\$ 525,268	\$ 525,268	\$ 15,668,983

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 5. Property and Equipment, Net (Continued)

Total depreciation expense for the years ended June 30, 2021 and 2020 was \$874,753 and \$771,062, respectively, of which \$194,656 and \$198,310, respectively, was related to donated assets.

Note 6. Operating Leases

Arc leases facilities under operating leases, some of which include renewal options. Rental expenses under long-term operating leases for the years ended June 30, 2021 and 2020 were \$84,325 and \$94,925, respectively. Future minimum lease commitments as of June 30, 2021 are payable as follows:

Year Ending June 30,	Amount
2022	\$ 49,200
2023	29,100
Total	\$ 78,300

Note 7. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 2021 and 2020:

June 30, 2021	Total	Program		
		Employment Services	Community Services	Residential Services
Medicaid	\$ 21,928,905	\$ 1,771,869	\$ 12,151,597	\$ 8,005,439
Office of Citizens with Developmental Disabilities	133,545	131,145	2,400	-
Louisiana Rehab Services	16,750	16,750	-	-
Sales	878,531	877,080	-	1,451
Client Billings	815,285	1,872	2,546	810,867
Other Residential Facilities	58,272	58,272	-	-
Total Program Revenue	\$ 23,831,288	\$ 2,856,988	\$ 12,156,543	\$ 8,817,757

June 30, 2020 (Reviewed)	Total	Program		
		Employment Services	Community Services	Residential Services
Medicaid	\$ 24,084,221	\$ 3,254,861	\$ 10,991,377	\$ 9,837,983
Office of Citizens with Developmental Disabilities	131,863	127,014	4,849	-
Louisiana Rehab Services	26,750	26,750	-	-
Sales	732,986	731,236	-	1,750
Client Billings	1,040,365	17,823	164,948	857,594
Other Residential Facilities	208,161	208,161	-	-
Total Program Revenue	\$ 26,224,346	\$ 4,365,845	\$ 11,161,174	\$ 10,697,327

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2021	(Reviewed) 2020
Subject to the Passage of Time		
Donated Vehicles from LDOTD	\$ 381,080	\$ 525,268
Total Net Assets with Donor Restrictions	\$ 381,080	\$ 525,268

Note 9. Fiduciary Funds

Arc acts as a fiduciary agent for several of its resident clients. The balance of the reconciled checking accounts maintained by Arc totaled \$200,378 and \$190,407 as of June 30, 2021 and 2020, respectively.

The Community Services Program, through its Independent Living Program, also acts as fiduciary agent for several of its clients. Checking accounts are maintained for each client, as applicable. Deposits include the client's social security benefits, the payroll checks, if employed, and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual client's needs. The balance in these reconciled checking accounts at June 30, 2021 and 2020 was \$90,221 and \$99,648, respectively.

Note 10. Retirement Plan

Arc offers a 401(k) retirement plan to all employees who have met the eligibility requirement of 1 year of service. Participants may elect to contribute portions of their eligible compensation, up to the maximum allowed by law. Arc contributes a basic matching contribution equal to the sum of 100% of the amount of the participant's salary deferral (including catch-up contributions), up to 3% of the participant's eligible compensation, plus 50% of the amount of the participant's salary deferral between 3% and 5% of the participant's eligible compensation. Alternatively, Arc may choose to make an enhanced matching contribution equal to the sum of 100% of the participant's salary deferral (including catch-up contributions), up to 4% of the participant's eligible compensation, or a non-elective contribution equal to 3% of the participant's eligible compensation. Participants become fully vested in employer matching contributions after 6 years of service. Arc's matching contributions for the years ended June 30, 2021 and 2020 were \$200,099 and \$199,248, respectively.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 11. Concentration of Credit Risk

Arc periodically maintains cash and time deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) coverage at its banks. A large majority of funds held on deposit by Arc is transferred each night to a repurchase account and collateralized with direct U.S. Government obligations, U.S. Government Agency obligations, or collateralized mortgage obligations. As of June 30, 2021 and 2020, amounts over FDIC coverage totaled \$21,717,182 and \$16,621,167, respectively.

Arc also receives a considerable amount of its total support and revenues from Medicaid for payments for services provided to clients. During the years ended June 30, 2021 and 2020, Arc received \$21,928,905 and \$24,084,221, respectively, from Medicaid, which was 83% and 87% of total revenues, gains, and other support, respectively.

Note 12. Pending Litigation

Arc is a part to various legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance and, if not so covered, are without merit or are of such kind, or involve such amounts as would not have a significant effect on the financial position or results of operations of Arc if disposed of unfavorably.

Note 13. Related-Party Transactions

As of June 30, 2021 and 2020, Arc held investments with a company managed by a member of the Board of Directors.

Note 14. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate 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 Arc operates. While it is unknown how long these conditions will last and what the complete financial effect will be to Arc, to date, Arc is not experiencing any significant financial impact.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 14. Risks and Uncertainties (Continued)

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including Arc's investments which are subject to potential loss arising from adverse changes in quoted market prices. Arc's management will continue to monitor its investment holdings as it has done in the past but has no immediate plans to change its investment portfolio.

Note 15. Liquidity

Arc has \$24,390,041 of financial assets, consisting of cash and cash equivalents as well as accounts receivable and amounts due from other agencies, that are available within one year of the financial position dated June 30, 2021 for normal operating expenditures.

As part of its liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit, equity securities, and debt securities, in the amount of \$6,747,670 that can be liquidated and made available.

Arc regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources Arc has available. In addition, Arc operates with a budget to monitor sources and uses of funds throughout the year.

Note 16. Acquisition of The Arc of Vermilion, Inc.

Effective December 1, 2020, Arc entered into an Assignment of Assets agreement with The Arc of Vermilion, Inc. who, due to their financial inability to continue operations, plan to terminate their corporate existence. No consideration was transferred by Arc as a result of this acquisition, there were no noncontrolling interests, and the acquisition was not achieved in stages. The excess of the assets acquired over liabilities assumed of \$555,210 is reported as an inherent contribution on the statement of activities for the year ended June 30, 2021.

Assets acquired and liabilities assumed as of December 1, 2020 are as follows:

Assets	
Cash	\$ 61,280
Accounts Receivable	29,567
Prepaid Expenses	43,184
Property and Equipment, Net	471,535
Liabilities	
Accounts Payable and Accrued Liabilities	50,466

Note 17. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was March 21, 2022, and determined that the following events occurred that require disclosure:

In October 2021, Arc purchased land in Bossier City, Louisiana for approximately \$3,000,000, none of which was financed.

In March 2022, Arc impaired one of the properties held for sale down to \$200,000, resulting in impairment of \$149,000.

No subsequent events occurring after March 21, 2022 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

THE ARC OF ACADIANA, INC.
Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2021

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2016, Act 462 of the 2016 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
Kenny Patton, Chief Executive Officer

Purpose	Compensation and Benefits Funded by Use of Public Funds
Salary	\$350,189
Benefits - Insurance	\$1,636
Benefits - Retirement	\$11,598
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Organization	\$1,001
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$739

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
The Arc of Acadiana, Inc.
New Iberia, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Acadiana, Inc., which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc of Acadiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc of Acadiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc of Acadiana, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
March 21, 2022

THE ARC OF ACADIANA, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2021

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements noted? | None |

Federal Awards

Not applicable.

Part II - Financial Statement Findings

None.

THE ARC OF ACADIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

No prior audit findings identified.