

**THE ARC OF ST. MARTIN, INC.**  
**(A NOT FOR PROFIT ORGANIZATION)**

St. Martinville, Louisiana

**FINANCIAL STATEMENTS**

June 30, 2018 and 2017

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# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Arc of St. Martin, Inc.  
St. Martinville, Louisiana

### Report on the Financial Statements

We have audited the accompanying statements of financial position of The ARC of St. Martin, Inc. (a nonprofit organization) as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of 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 St. Martin, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

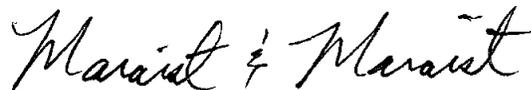
### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Compensation, Benefits, and Other Payments to the Agency Head* on page 18 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 November 16, 2018 on our consideration of The ARC of St. Martin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 of St. Martin's internal control over financial reporting and compliance.



Maraist & Maraist, CPA's

St. Martinville, Louisiana  
November 16, 2018

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENTS OF FINANCIAL POSITION**  
 June 30, 2018 and 2017

<u>ASSETS</u>		
	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 228,899	\$ 141,818
Investments-certificates of deposit	45,551	45,498
Accounts receivable	230,398	231,154
Accrued interest receivable	37	37
Total current assets	<u>\$ 504,885</u>	<u>\$ 418,507</u>
Fixed Assets:		
Property and equipment, net	<u>\$ 589,422</u>	<u>\$ 509,380</u>
Other Assets:		
Investment in St. Martin Villa, Inc.	<u>\$ 20,176</u>	<u>\$ 20,176</u>
TOTAL ASSETS	<u>\$ 1,114,483</u>	<u>\$ 948,063</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 29,530	28,092
Accrued salaries	37,372	57,404
Current portion of notes payable	-0-	9,538
Total current liabilities	<u>\$ 66,902</u>	<u>\$ 95,034</u>
Notes payable, less current portion	-0-	7,404
Total liabilities	<u>\$ 66,902</u>	<u>\$ 102,438</u>
Net Assets:		
Unrestricted	\$ 954,585	\$ 845,625
Temporarily restricted	92,996	-0-
Total net assets	<u>\$ 1,047,581</u>	<u>\$ 845,625</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,114,483</u>	<u>\$ 948,063</u>

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Public Support:			
Contributions	\$ 43,171		\$ 43,171
Program revenues	2,164,864		2,164,864
Grant revenues-DOTD grant		\$ 103,326	103,326
Other Revenue:			
Client fees	45,369		45,369
Membership dues	900		900
Work contracts	43,890		43,890
Thrift store sales	164,764		164,764
Fund raising	52,826		52,826
Interest/dividend income	139		139
Net assets released from restrictions:			
Federal Transit Administration Section 5310 depreciation on restricted vans	10,330	(10,330)	-0-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>\$2,526,253</b>	<b>\$ 92,996</b>	<b>\$2,619,249</b>
<u>EXPENSES:</u>			
Program services:			
Adult habilitation	\$1,315,770		\$1,315,770
Residential services	655,119	-0-	655,119
Total program services	\$1,970,889		\$1,970,889
Support services:			
General and administrative	446,404	-0-	446,404
<b>TOTAL EXPENSES</b>	<b>\$2,417,293</b>	<b>-0-</b>	<b>\$2,417,293</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 108,960</b>	<b>\$ 92,996</b>	<b>\$ 201,956</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>845,625</b>	<b>-0-</b>	<b>845,625</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 954,585</b>	<b>\$ 92,996</b>	<b>\$1,047,581</b>

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS AND OTHER SUPPORT:</u>			
Public Support:			
Contributions	\$ 14,826		\$ 14,826
Program revenues	2,181,225		2,181,225
Other Revenue:			
Client fees	44,736		44,736
Membership dues	1,000		1,000
Work contracts	39,550		39,550
Thrift store sales	149,617		149,617
Insurance reimbursements	19,181		19,181
Interest/dividend income	265		265
	\$2,450,400	\$ -0-	\$2,450,400
<u>EXPENSES:</u>			
Program services:			
Adult habilitation	\$1,361,224		\$1,361,224
Residential services	633,428		633,428
Total program services	\$1,994,652	\$ -0-	\$1,994,652
Support services:			
General and administrative	521,648	\$ -0-	521,648
	\$2,516,300	\$ -0-	\$2,516,300
TOTAL EXPENSES			
	\$ (65,900)	\$ -0-	\$ (65,900)
CHANGE IN NET ASSETS			
NET ASSETS, BEGINNING OF YEAR	911,525	-0-	911,525
NET ASSETS, END OF YEAR	\$ 845,625	\$ -0-	\$ 845,625

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF FUNCTIONAL EXPENSES**  
 Year Ended June 30, 2018  
 (with comparative totals for the Year Ended June 30, 2017)

	<u>Adult Habilitation</u>	<u>Residential Homes</u>	<u>Total Program Services</u>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
Salaries and wages	\$ 978,597	\$ 345,366	\$ 1,323,963
Employee benefits	42,607	24,472	67,079
Payroll taxes	74,799	26,314	101,113
	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	\$ 1,096,003	\$ 396,152	\$ 1,492,155
Maintenance & repairs	20,390	21,133	41,523
Professional fees	475	8,339	8,814
Supplies	1,790	6,032	7,822
Insurance	66,019	22,280	88,299
Interest	353	--	353
Utilities & telephone	11,237	15,976	27,213
Dues & publications	191	--	191
Automotive	54,756	3,117	57,873
Provider fees & licenses	8,470	75,759	84,229
Office expenses	--	36	36
Personal client needs	290	5,432	5,722
Travel, seminars, etc.	--	87	87
Consultant fees	6,000	12,970	18,970
Educational	44	--	44
Dietary	4,266	37,628	41,894
Medical & nursing	2,149	8,286	10,435
Habilitation costs	--	25,988	25,988
Training	--	2,857	2,857
Association responsibility	1,944	1,066	3,010
Housekeeping	11,940	6,457	18,397
Other	7,866	18	7,884
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	\$ 1,294,183	\$ 649,613	\$ 1,943,796
Depreciation	21,587	5,506	27,093
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 1,315,770	\$ 655,119	\$ 1,970,889

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

Management and General	Year End Totals		
	6/30/18	6/30/17	(Memorandum Only)
\$ 294,568	\$ 1,618,531	\$ 1,733,323	
16,848	83,927	75,318	
22,562	123,675	133,440	
<hr/>	<hr/>	<hr/>	
\$ 333,978	\$ 1,826,133	\$ 1,942,081	
5,846	47,369	49,558	
8,339	17,153	15,644	
439	8,261	9,261	
25,479	113,778	117,848	
--	353	853	
21,369	48,582	46,758	
--	191	3,618	
--	57,873	59,977	
496	84,725	78,584	
23,399	23,435	18,684	
--	5,722	5,206	
--	87	3,556	
--	18,970	20,316	
--	44	218	
2,578	44,472	40,476	
--	10,435	7,220	
--	25,988	24,110	
10,290	13,147	14,029	
--	3,010	2,516	
--	18,397	20,846	
--	7,884	130	
<hr/>	<hr/>	<hr/>	
\$ 432,213	\$ 2,376,009	\$ 2,481,489	
14,191	41,284	34,811	
<hr/>	<hr/>	<hr/>	
\$ 446,404	\$ 2,417,293	\$ 2,516,300	
<hr/>	<hr/>	<hr/>	

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENTS OF CASH FLOWS**  
 Years Ended June 30, 2018 and 2017

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2018</u>	<u>2017</u>
Change in net assets	\$ 201,956	\$ (65,900)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	41,284	34,811
(Increase)/decrease in accounts receivable	756	28,654
Increase/(decrease) in accounts payable and accrued expenses	1,438	(6,073)
(Increase)/decrease in accrued interest Receivable	-0-	28
Increase/(decrease) in accrued salaries	(20,032)	189
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 225,402	\$ (8,291)
	<hr/>	<hr/>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Liquidation of long-term certificates of deposit	\$ (53)	\$ 58,023
Purchase of fixed assets(net)	(121,326)	(32,519)
	<hr/>	<hr/>
Net cash used for investing activities	\$ (121,379)	\$ 25,504
	<hr/>	<hr/>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from debt financing	\$ -	\$ -
Debt principal payments	(16,942)	(14,171)
	<hr/>	<hr/>
Net cash from financing activities	\$ (16,942)	\$ (14,171)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 87,081	\$ 3,042
CASH AND CASH EQUIVALENTS-Beginning of Year	141,818	138,776
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS-End of Year	\$ 228,899	\$ 141,818
	<hr/>	<hr/>
<u>SUPPLEMENTAL DATA:</u>		
Interest Paid	\$ 353	\$ 793
	<hr/>	<hr/>

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

**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The ARC of St. Martin, Inc. is a Louisiana non-profit community organization governed by a volunteer board of directors, which operates an adult habilitation center and two residential community homes serving the needs of the mentally retarded and developmentally disabled citizens of St. Martin Parish, Louisiana. The Association was incorporated in August, 1986, and its mission is to provide day care services, work training services, respite and personal care services to the developmentally disabled, and residential housing for qualifying disabled individuals.

Basis of Presentation

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting, in conformity with generally accepted accounting principles. As required by Generally Accepted Accounting Standards, net assets and activities are classified in the following manner:

- (1) Unrestricted net assets-Net assets that are not subject to significant donor-imposed stipulations.
- (2) Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.
- (3) Permanently restricted net assets-Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Association pursuant to those stipulations.

Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded when incurred, in accordance with the accrual basis of accounting.

Restrictions on net assets at June 30, 2018 relate to transportation vans obtained by the Association through Section 5310 of the Federal Transit Act, which provides for capital grants for the specific purpose of assistance in providing transportation services to meet the special needs of elderly and disabled persons for whom mass transportation services are unavailable, insufficient, or inappropriate. The program is administered by the Louisiana Department of Transportation and Development. The vans obtained with these funds must be used for transportation services for the elderly and disabled within the Association's service area. The Department of Transportation and Development must be immediately notified if the equipment is not used in the aforementioned manner or if it is withdrawn from service. Disposition of the vehicle must have DOTD approval and must be in conformity with the provisions of OMB Circular A-102, Attachment N. Dispositions must be at current market value and a portion of the funds received must be returned in proportion to the original percentage of Federal funds contributed.

It is the policy of the Association to amortize the asset restricted over its estimated useful life using the straight-line method. Temporarily restricted assets at June 30, 2018 were \$92,996.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Many volunteers have donated significant amounts of time and service to the ARC of St. Martin's special events. The value of this contributed service is recognized if the services require specialized skills and the Association would be required to purchase these services if donated services were not available. None of the contributed services received during the years ended June 30, 2018 and 2017 were recognized as revenue.

Cash Equivalents

The ARC of St. Martin considers all cash accounts and certificates of deposit with a maturity of three months or less when purchased to be cash and cash equivalents. Fair values approximate carrying values for all cash equivalents, due to the initial maturities of the instruments being three months or less.

Investments

Investments of the ARC of St. Martin, Inc. consist exclusively of long-term certificates of deposit, and are presented in the financial statements at cost, which approximates fair market value. The Association held no investments in marketable securities or government bonds for fiscal years ended June 30, 2017 or 2016.

Income Taxes

The Association accounts for income taxes in accordance with income tax accounting guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). On January 1, 2009, the Association adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax provisions.

The ARC of St. Martin, Inc. qualifies as a tax-exempt organization other than a private foundation under Section 501 (c) (3) of the Internal Revenue Code and Section 121(5) of Title 47 of Louisiana Revised Statutes of 1950. Therefore, no provision for federal income taxes has been made in the accompanying financial statements and the Association does not have any uncertain tax positions.

Third Party Revenues

A substantial share of the Association's contract revenues for services to clients is derived under federal and state third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party providers. Retroactive adjustments, if any, would not be material to the financial position or results of operations of the Association. There were no retroactive adjustments paid to third party payers for the years ended June 30, 2018 or 2017.

Property and Equipment

The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of each asset generally as follows:

Buildings	40 years
Improvements	10 years
Furniture and Equipment	7 years
Vehicles	5 years

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Expenses for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Betterments and renewals are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Estimates

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

(2) ACCOUNTS RECEIVABLE

Accounts receivable primarily represent amounts due from various Federal/State agencies and are deemed to be fully collectible by management, and therefore, no allowance has been provided for bad debts. As of June 30, 2018 and 2017, accounts receivable was composed of the following:

	<u>2018</u>	<u>2017</u>
Louisiana Dept. of Health and Hospitals-Office for Citizens with Developmental Disabilities	\$ 184,252	\$ 168,982
Work contracts receivable	4,590	4,800
Due from clients	6,240	2,192
Other receivables	18,290	158
Due from affiliates	17,026	55,022
	<u>          </u>	<u>          </u>
Total	<u>\$ 230,398</u>	<u>\$ 231,154</u>

(3) PROPERTY, EQUIPMENT AND DEPRECIATION

Depreciation of fixed assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost and related depreciation of such assets at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Land and buildings	\$ 896,926	\$ 878,927
Furniture, fixtures, & equipment	78,905	78,905
Vehicles	595,435	492,108
	<u>          </u>	<u>          </u>
Subtotal	\$ 1,571,266	\$ 1,449,940
Less: Accumulated Depreciation	<u>(981,844)</u>	<u>(940,560)</u>
	<u>          </u>	<u>          </u>
Total	<u>\$ 589,422</u>	<u>\$ 509,380</u>

Depreciation expense was \$41,284 and \$34,811 for the years ended June 30, 2018 and 2017, respectively.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

(4) NOTES PAYABLE

The notes payable balance consists of a real estate mortgage note dated October 15, 2010, in the original amount of \$86,176, bearing interest at 5.25% per annum, payable in monthly installments of \$850, payable to St. Martin Bank and Trust, and secured by a mortgage on the Association's thrift store building and property, located on East Bridge Street in Breaux Bridge, LA. Interest expense on the note for the year ended June 30, 2018 was \$353, and for the year ended June 30, 2017 was \$853. The note was paid off as of June 30, 2018.

(5) FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the Fair Value Measurements and Disclosure topic of FASB ASC, disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Association.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Association groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

(5) FAIR VALUE OF FINANCIAL INSTRUMENTS(Continued)

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Association in estimating its fair value disclosures for financial instruments:

Investment in Certificates of Deposit – The fair value of investments in certificates of deposits is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is estimated using pricing models or quoted prices of securities with similar characteristics, at which point the securities would be classified within Level 2 of the hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2018:			
Certificates of Deposit	—	—	<u>\$ 45,551</u>
June 30, 2017:			
Certificates of Deposit	—	—	<u>\$ 45,498</u>

(6) RETIREMENT PLANS

The ARC of St. Martin, Inc. does not have or sponsor an employee retirement plan. All employees of the ARC of St. Martin, Inc. are covered by the Social Security System. The Association and its employees contribute a percentage of each employee’s salary to the System(7.65% contributed by the Association). The Association’s contributions during the years ended June 30, 2018 and June 30, 2017 amounted to \$123,818 and \$133,840 respectively.

(7) COMPENSATED ABSENCES

Employees of The ARC of St. Martin, Inc. are entitled to paid vacation, paid sick leave, and personal days off, depending on job classification, length of service, and other factors. Leave time not used in the fiscal period that it is earned cannot be carried over to subsequent periods, and is forfeited. Therefore, there is no material accumulated leave at June 30, 2018 and 2017 and accordingly, no liability has been recorded in the accompanying financial statements for compensated absences.

(8) FIDUCIARY FUNDS

The Association acts as a fiduciary agent for the residents of its Community Homes Program. Checking accounts are maintained for each resident, as applicable. Deposits include the resident’s social security benefits, their payroll checks, and miscellaneous gifts from family members. Disbursements consist of daily living expenses, based upon the residents’ individual needs. The balances in these checking accounts at June 30, 2018 and 2017 was \$13,205 and \$10,448, respectively. These funds are not included in the statement of financial position of the ARC of St. Martin.

(9) INVESTMENT IN ST. MARTIN VILLA, INC.

The investment in St. Martin Villa, Inc. represents a capital contribution from The ARC of St. Martin to the St. Martin Villa, Inc., which is a non-profit corporation sponsored by The ARC of St. Martin, Inc. The St. Martin Villa is a rental facility operated for the benefit of individuals with disabilities.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

(10) CONCENTRATIONS OF REVENUE/CASH BALANCES

The Association receives federal and state funding on a per diem per client/unit basis. Federal and state matching funds from the Department of Health and Human Services, passed through the Louisiana State Department of Health and Hospitals Office of Family Security, Medical Assistance Program – Medicaid/ Title XIX are on a per diem basis. These payments, reported as residential and habilitation service fees, are considered a payment for a service as opposed to a grant award. In addition, the Association receives state grants from the Department of Health and Hospitals Office for Citizens with Developmental Disabilities on a per diem basis.

If significant budget cuts are made at the federal, state and/or local levels the amount of funding the Association receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Association will receive in the next fiscal year. Should such a reduction in funding occur, however, management believes that changes can be incorporated into the continuing operations without a catastrophic result.

The Association maintains substantially all of its cash deposit accounts at St. Martin Bank and Trust and Midsouth Bank. Cash accounts at banks are insured by the FDIC for up to \$250,000 at 6/30/18 and 6/30/17. Cash and certificate of deposit balances at these institutions did not exceed federally insured limits as of June 30, 2018 and 2017, respectively.

(11) LITIGATION

There is no litigation pending against The ARC of St. Martin at June 30, 2018 in which the result would have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

(12) BOARD OF DIRECTORS

Members of the Board of Directors are elected annually by the members of the Association, and serve on a voluntary basis. The directors receive no compensation for their services.

(13) RISK MANAGEMENT

The Association is exposed to risks of loss in the areas of auto liability, property liability, fidelity bond and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the years ended June 30, 2018 or June 30, 2017.

(14) SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through November 16, 2018, the date on which the financial statements were available for issue, and has determined that no events occurred that require disclosure.

**OTHER INFORMATION**

**The ARC of St. Martin, Inc.**  
Schedule of Compensation, Benefits, and Other Payments  
To Agency Head or Chief Executive

For the Year Ended June 30, 2018

Agency Head Name:

Christine Poche(Co-Director)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 65,490
Benefits-social security	<u>5,010</u>
Total	<u>\$ 70,500</u>

Kerrie Latiolais(Co-Director)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 83,321
Benefits-social security	6,374
Travel-reimbursed	<u>62</u>
Total	<u>\$ 89,757</u>

**INTERNAL CONTROL AND COMPLIANCE**

# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF  
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
The ARC of St. Martin, Inc.  
St. Martinville, Louisiana

We have audited, 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, the financial statements of The ARC of St. Martin, Inc. (a nonprofit organization), which comprise the statements of financial position as of and for the years ended June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2018.

### Internal Control Over Financial Reporting

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

To the Board of Directors of  
The ARC of St. Martin, Inc.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Audit Findings and Responses as item 18-1, that we consider to be a significant deficiency.

#### Compliance and Other Matters

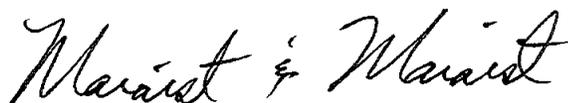
As part of obtaining reasonable assurance about whether The ARC of St. Martin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

#### ARC of St. Martin's Response to Findings

The ARC of St. Martin's response to the finding identified in our audit is described in the accompanying schedule of audit findings and responses. The ARC of St. Martin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Maraist & Maraist, CPA's

St. Martinville, Louisiana  
November 16, 2018

**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana

**Schedule of Audit Findings and Responses**

Year Ended June 30, 2018

**Part I: Summary of Audit Results:**

1. The auditor's report expressed an unmodified opinion on the financial statements of the ARC of St. Martin, Inc.
2. One control deficiency relating to the financial statements of the ARC of St. Martin, Inc. was reported in the "*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*," (Item 18-1), however, it was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the ARC of St. Martin, Inc. were reported in the "*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*".
4. There was no single audit requirement under the 2CFR 200,516(a)(Uniform Guidance).

**Part II: 2018 Findings – Financial Statement Audit:**

**INTERNAL CONTROL**

18-1 Segregation of Duties

Criteria: Segregation of duties should be adequate to provide effective internal control.

Condition: Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system.

Cause: Only one person performs accounting duties for the Association.

Effect: The segregation of duties is inadequate to provide effective internal control.

Recommendation: No action is recommended. It would not be cost effective to increase the size of the staff to achieve effective segregation of duties.

Management's Response: We concur with the finding.

Contact Person: Christine Poche or Kerrie Latiolais, Co-Directors

**COMPLIANCE**

None

**Part III: Management Letter:**

No reported findings for the year ended June 30, 2018.

**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana

**Schedule of Prior Year Audit Findings**

Year Ended June 30, 2018

**Part I: 2017 Findings - Financial Statement Audit:**

**INTERNAL CONTROL**

17-1 Segregation of Duties

Condition: Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system.

Current Status: A similar finding was noted in the current year.

**COMPLIANCE**

None

**Part II: Management Letter**

No reported findings for the year ended June 30, 2017.