THE ARC OF ACADIANA, INC.

Audits of Financial Statements

June 30, 2019 and 2018

LAPORTE
CPAs & BUSINESS ADVISORS

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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 statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 2019 and 2018, 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.

Emphasis of Matter
As discussed in Note 1 to the financial statements, The Arc of Acadiana, Inc. adopted new accounting guidance ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2019 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, and 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 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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
December 24, 2019

THE ARC OF ACADIANA, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	$ 16,021,692	$ 13,593,463
Investments	8,792,345	11,255,296
Receivables	143,394	88,042
Due from Other Agencies, Net	2,239,553	2,073,168
Prepaid Expenses	175,939	180,692
Other Current Assets	28,135	26,922
Total Current Assets	27,401,058	27,217,583
Fixed Assets		
Property and Equipment, Net	13,895,009	9,745,597
Equipment Under Capital Lease, Net	-	7,192
Total Fixed Assets	13,895,009	9,752,789
Other Assets		
Deposits Held for Others	308,781	313,507
Other Assets	10,317	6,336
Total Other Assets	319,098	319,843
Total Assets	$ 41,615,165	$ 37,290,215

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

THE ARC OF ACADIANA, INC.
Statements of Financial Position (Continued)
June 30, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities Payable from Current Assets		
Accounts Payable	**$ 617,771**	$ 455,762
Accrued Liabilities	**673,916**	860,770
Accrued Compensated Absences	**402,967**	357,896
Total Current Liabilities Payable from Current Assets	**1,694,654**	1,674,428
Current Liabilities Payable from Restricted Assets		
Current Portion of Capital Lease Obligations	**-**	7,761
Total Current Liabilities	**1,694,654**	1,682,189
Other Liabilities		
Deposits Held for Others	**308,781**	313,507
Deferred Revenue	**-**	3,900
Total Other Liabilities	**308,781**	317,407
Total Liabilities	**2,003,435**	1,999,596
Net Assets		
Without Donor Restrictions	**39,028,140**	34,754,304
With Donor Restrictions	**583,590**	536,315
Total Net Assets	**39,611,730**	35,290,619
Total Liabilities and Net Assets	**$ 41,615,165**	$ 37,290,215

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Program Revenue	$ 26,425,336	$ -	$ 26,425,336
Contributions	656,841	434,858	1,091,699
Investment Return, Net	514,114	-	514,114
Miscellaneous Revenue	166,119	-	166,119
Membership Revenue	15,272	-	15,272
	27,777,682	434,858	28,212,540
Net Assets Released from Restrictions			
Expiration of Time Restrictions	359,900	(359,900)	-
Restrictions Satisfied by Purchases	27,683	(27,683)	-
	387,583	(387,583)	-
Total Revenues, Gains, and Other Support	28,165,265	47,275	28,212,540
Expenses and Losses			
Program Expenses			
Community Services	7,713,913	-	7,713,913
Employment Services	5,474,614	-	5,474,614
Residential Services	8,448,634	-	8,448,634
Supporting Expenses			
General and Administrative	2,136,158	-	2,136,158
Total Expenses	23,773,319	-	23,773,319
Loss on Sale of Assets	118,110	-	118,110
Total Expenses and Losses	23,891,429	-	23,891,429
Change in Net Assets	4,273,836	47,275	4,321,111
Net Assets, Beginning of Year	34,754,304	536,315	35,290,619
Net Assets, End of Year	$ 39,028,140	$ 583,590	$ 39,611,730

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

THE ARC OF ACADIANA, INC.
Statement of Activities
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Program Revenue	$ 26,553,449	$ -	$ 26,553,449
Contributions	658,357	152,747	811,104
Miscellaneous Revenue	318,494	-	318,494
Investment Return, Net	231,237	-	231,237
Gain on Sale of Assets	112,590	-	112,590
Membership Revenue	15,468	-	15,468
	27,889,595	152,747	28,042,342
Net Assets Released from Restrictions			
Expiration of Time Restrictions	175,853	(175,853)	-
Total Revenues, Gains, and Other Support	28,065,448	(23,106)	28,042,342
Expenses			
Program Expenses			
Community Services	7,343,179	-	7,343,179
Employment Services	5,280,260	-	5,280,260
Residential Services	9,695,057	-	9,695,057
Supporting Expenses			
General and Administrative	2,113,850	-	2,113,850
Total Expenses	24,432,346	-	24,432,346
Change in Net Assets	3,633,102	(23,106)	3,609,996
Net Assets, Beginning of Year	31,121,202	559,421	31,680,623
Net Assets, End of Year	$ 34,754,304	$ 536,315	$ 35,290,619

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, 2019

	Program Services			Supporting Services	
	Community Services	Employment Services	Residential Services	General and Administrative	Total
Advertising	$ 126	$ 24,540	$ 368	$ 4,351	$ 29,385
Assistance Payments	9,891	-	-	49	9,940
Bed Fees	-	-	701,072	-	701,072
Clothing	-	-	25,469	-	25,469
Cost of Sales	-	667,892	-	-	667,892
Data Processing	57,732	22,271	38,818	9,980	128,801
Depreciation and Amortization	3,782	456,548	94,241	95,154	649,725
Dietary	4,768	11,875	403,644	10,457	430,744
Drugs and Drug Screening	48	232	18,574	-	18,854
Dues and Subscriptions	889	1,507	1,714	48,685	52,795
Employee Benefits	355,052	146,606	411,498	98,523	1,011,679
Gifts and Rememberances	622	1,127	2,903	(955)	3,697
Insurance	20,866	423,840	218,965	90,586	754,257
Interest and Late Fees	-	211	3,731	265	4,207
Laundry and Linen	-	40	15,817	-	15,857
Lease Equipment	-	-	11,297	-	11,297
Licenses	150	1,966	8,016	600	10,732
Medical Services	136	997	40,031	-	41,164
Medical Supplies	9,121	4,026	88,671	-	101,818
Miscellaneous	13,562	31,199	13,337	18,121	76,219
Office Supplies	11,967	8,959	32,121	30,396	83,443
Payroll Taxes	520,906	210,592	356,756	79,100	1,167,354
Professional Fees	32,681	18,391	162,797	90,685	304,554
Purchase of Assets < $5,000	-	23,712	69,631	-	93,343
Recruitment	12,129	5,046	20,161	25,293	62,629
Rent	-	95,277	-	-	95,277
Repairs and Maintenance	13,881	122,709	228,386	27,379	392,355
Salaries and Wages	6,579,306	2,582,730	4,643,922	1,378,591	15,184,549
Supplies	432	81,027	148,660	5,933	236,052
Taxes and Fees	-	1,129	(994)	1,236	1,371
Telephone	27,277	47,968	87,148	50,905	213,298
Training	1,436	428	2,925	38,215	43,004
Transportation	14,010	313,859	68,392	14,132	410,393
Travel	18,493	435	19,749	8,603	47,280
Utilities	4,650	167,475	510,814	9,874	692,813
Total	$ 7,713,913	$ 5,474,614	$ 8,448,634	$ 2,136,158	$ 23,773,319

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, 2018

	Program Services			Supporting Services	
	Community Services	Employment Services	Residential Services	General and Administrative	Total
Advertising	$ -	$ 15,501	$ -	$ 4,377	$ 19,878
Assistance Payments	11,000	-	35	-	11,035
Bed Fees	-	-	771,824	-	771,824
Clothing	-	-	21,782	-	21,782
Cost of Sales	-	635,714	5,856	-	641,570
Data Processing	56,472	23,277	45,113	35,159	160,021
Depreciation and Amortization	3,171	425,044	178,794	101,303	708,312
Dietary	5,011	4,264	433,356	11,365	453,996
Drugs and Drug Screening	-	587	12,893	-	13,480
Dues and Subscriptions	2,299	2,325	1,490	28,008	34,122
Employee Benefits	486,783	120,843	560,201	100,530	1,268,357
Gifts and Rememberances	857	552	1,284	3,233	5,926
Insurance	49,746	399,472	400,732	107,317	957,267
Interest and Late Fees	199	1,127	12,901	7,497	21,724
Laundry and Linen	-	-	25,106	-	25,106
Lease Equipment	-	5,243	16,776	3,023	25,042
Licenses	506	3,699	7,726	2,043	13,974
Medical Services	3,380	2,863	36,691	-	42,934
Medical Supplies	8,793	3,462	92,657	12	104,924
Miscellaneous	2,929	29,764	6,932	51,179	90,804
Office Supplies	13,404	18,120	62,878	49,063	143,465
Payroll Taxes	512,134	211,527	420,261	88,479	1,232,401
Professional Fees	26,846	16,186	174,469	74,683	292,184
Purchase of Assets < $5,000	-	2,351	1,845	2,069	6,265
Recruitment	16,149	184	24,800	30,247	71,380
Rent	-	74,688	-	-	74,688
Repairs and Maintenance	14,246	106,064	289,339	31,204	440,853
Salaries and Wages	6,048,081	2,590,755	5,135,024	1,255,388	15,029,248
Supplies	837	76,961	253,650	4,290	335,738
Taxes and Fees	-	1,183	1,545	1,064	3,792
Telephone	21,333	38,779	78,095	35,447	173,654
Training	1,819	1,425	1,129	56,196	60,569
Transportation	21,248	294,413	75,094	13,787	404,542
Travel	30,772	1,233	9,822	6,528	48,355
Utilities	5,164	172,654	534,957	10,359	723,134
Total	$ 7,343,179	$ 5,280,260	$ 9,695,057	$ 2,113,850	$ 24,432,346

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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	$ 4,321,111	$ 3,609,996
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Depreciation and Amortization	649,725	708,312
Realized and Unrealized Gain on Investments, Net	(285,674)	(34,974)
Loss (Gain) on Sale of Fixed Assets	118,110	(112,590)
Donated Fixed Assets	(192,244)	(152,747)
(Increase) Decrease in Assets		
Receivables	(55,352)	(20,982)
Due from Other Agencies	(166,385)	411,136
Prepaid Expenses	4,753	(74,396)
Other Current Assets	(1,213)	-
Deposits Held for Others and Other Assets	745	50,494
Increase (Decrease) in Liabilities		
Accounts Payable	162,009	10,851
Accrued Liabilities	(186,854)	28,115
Accrued Compensated Absences	45,071	14,844
Deposits Held for Others	(4,726)	(43,799)
Deferred Revenue	(3,900)	3,900
Net Cash Provided by Operating Activities	4,405,176	4,398,160
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(4,757,469)	(342,709)
Proceeds from Sale of Fixed Assets	39,658	193,045
Purchase of Investments	(3,500,000)	(5,234,215)
Proceeds from Sale of Investments	6,248,625	6,344,299
Net Cash (Used in) Provided by Investing Activities	(1,969,186)	960,420
Cash Flows from Financing Activities		
Principal Payments Under Capital Lease Obligations	(7,761)	(61,019)
Net Cash Used in Financing Activities	(7,761)	(61,019)
Net Increase in Cash and Cash Equivalents	2,428,229	5,297,561
Cash and Cash Equivalents, Beginning of Year	13,593,463	8,295,902
Cash and Cash Equivalents, End of Year	$ 16,021,692	$ 13,593,463

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

THE ARC OF ACADIANA, INC.
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2019 and 2018

		2019		2018
Supplemental Disclosure of Cash Flow Information				
Cash Paid for Interest	**$**	**3,059**	$	10,897

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 charted 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, 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 3% of program revenue for each of the years ended June 30, 2019 and 2018.

Residential Services

Residential Services provides homes in the Lafayette, New Iberia, Iota, Rayne, and Bossier City, Louisiana areas for adults who are developmentally disabled. In October 2018, the Board of Directors approved the construction of three new residential homes in Rayne, Louisiana.

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.

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

Investments

Investments in certificates of deposit 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 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

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, 2019 and 2018, there were no impairment losses recognized for long-lived assets.

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

Contributions and Expenses

Contributions are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

In-Kind Contributions

In-kind contributions consist of donated materials which are recorded as contributions at fair value when an unconditional commitment is received from the donor.

Compensated Absences

Employees of the 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 $29,385 and $19,878 for the years ended June 30, 2019 and 2018, 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.

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

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.

The 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.

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).

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

Insurance Programs

Effective January 1, 2018, Arc changed its workers' compensation insurance program and became fully insured.

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.

Adoption of ASU 2016-14

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Arc implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. Implementation did not result in a change in net assets.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Arc plans to adopt the new revenue guidance effective January 1, 2019 by recognizing the cumulative effect of initially applying the new standard as an increase to the opening balance of net assets. Based on the foregoing, at the current time Arc does not anticipate this standard will have a material impact on its financial statements.

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

Recent Accounting Pronouncements (Continued)

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 statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020, 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 our pending adoption of the new standard on our financial statements.

Reclassifications

Certain reclassifications have been made to the prior year amounts to conform with the current presentation. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

Note 2. Due from Other Agencies, Net

Due from other agencies, net at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Due from Medicaid, Net	**$ 2,143,678**	$ 1,989,345
Due from Other Facilities, Net	**80,658**	71,675
Due from O.C.D.D.	**13,323**	9,770
Due from Louisiana Rehabilitation Services, Net	**1,894**	2,378
Total	**$ 2,239,553**	$ 2,073,168

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 for the years ended June 30, 2019 and 2018:

	2019	2018
Cash - Money Market and Certificate of Deposit	**$ 2,221,387**	$ 8,010,917
Equity Securities	**2,940,480**	2,839,563
Debt Securities	**3,630,478**	404,816
Total	**$ 8,792,345**	$ 11,255,296

Note 4. Fair Value Measurements

The 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 the Arc's policies and valuation techniques.

The valuation of the Arc's assets measured at fair value on a recurring basis at June 30, 2019 and 2018, is as follows:

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Net Balance**
Cash - Money Market and Certificate of Deposit	**$ 1,943,461**	**$ 277,926**	**$ -**	**$ 2,221,387**
Corporate Fixed Income	**174,567**	**-**	**-**	**174,567**
Corporate Stocks and ETFs	**562,546**	**-**	**-**	**562,546**
Corporate Trusts	**87,484**	**-**	**-**	**87,484**
Open End Mutual Funds	**2,377,934**	**-**	**-**	**2,377,934**
U.S. Government Obligations	**3,368,427**	**-**	**-**	**3,368,427**
Total	**$ 8,514,419**	**$ 277,926**	**$ -**	**$ 8,792,345**

June 30, 2018	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	$ 7,526,742	$ 484,175	$ -	$ 8,010,917
Corporate Fixed Income	151,233	-	-	151,233
Corporate Stocks and ETFs	516,421	-	-	516,421
Corporate Trusts	103,520	-	-	103,520
Open End Mutual Funds	2,323,142	-	-	2,323,142
U.S. Government Obligations	150,063	-	-	150,063
Total	$ 10,771,121	$ 484,175	$ -	$ 11,255,296

Note 5. Property and Equipment, Net

Property and equipment, net at June 30, 2019 and 2018, consisted of the following:

June 30, 2019	**Purchased Assets Historical Cost**	**Donated Value**	**Total**
Land	**$ 1,556,778**	**$ -**	**$ 1,556,778**
Building and Improvements	**12,685,517**	**-**	**12,685,517**
Furniture and Equipment	**1,131,718**	**42,300**	**1,174,018**
Vehicles	**1,173,700**	**2,281,465**	**3,455,165**
Construction in Progress	**1,612,484**	**-**	**1,612,484**
	18,160,197	**2,323,765**	**20,483,962**
Less: Accumulated Depreciation	**(4,776,067)**	**(1,812,886)**	**(6,588,953)**
Net Property and Equipment	**$ 13,384,130**	**$ 510,879**	**$ 13,895,009**

June 30, 2018	Purchased Assets Historical Cost	Donated Value	Total
Land	$ 1,490,369	$ 20,800	$ 1,511,169
Building and Improvements	9,800,329	196,376	9,996,705
Furniture and Equipment	1,293,730	42,300	1,336,030
Vehicles	1,230,015	2,256,210	3,486,225
Construction in Progress	100,723	-	100,723
	13,915,166	2,515,686	16,430,852
Less: Accumulated Depreciation	(4,853,453)	(1,831,802)	(6,685,255)
Net Property and Equipment	$ 9,061,713	$ 683,884	$ 9,745,597

Total depreciation expense for the years ended June 30, 2019 and 2018 was $642,533 and $656,157, respectively, of which $168,499 and $175,853, respectively, was related to donated assets.

Note 6. Capital Leases

Arc leased certain equipment used in its operations under agreements that were classified as capital leases. The carrying amount of such equipment approximates the lesser of the present value of the associated minimum lease payments or the fair market value at the start of the lease. All of the equipment leases expired during the year ended June 30, 2019. The lease obligations were secured by the leased equipment. As of June 30, 2018, the leased equipment under capital lease had a cost of $90,710 and accumulated depreciation of $83,518. During the year ended June 30, 2019, the leased asset was returned, resulting in no capital lease assets as of June 30, 2019.

Note 6. Capital Leases (Continued)

Amortization expense related to capital lease obligations was $7,192 and $52,155, for years ended June 30, 2019 and 2018, respectively.

Interest expense under capital lease obligations was $3,059 and $10,987, for years ended June 30, 2019 and 2018, respectively.

Note 7. Operating Leases

Arc leases facilities and equipment under operating leases, some of which include renewal options. Rental expenses under long-term operating leases of property and equipment for the years ended June 30, 2019 and 2018, was $106,574 and $99,730, respectively.

Future minimum lease commitments as of June 30, 2019, are payable as follows:

Years	Amount
2020	$ 54,050
2021	14,550
Total	$ 68,600

Note 8. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 2019 and 2018:

		Program		
June 30, 2019	**Total**	**Employment Services**	**Community Services**	**Residential Services**
Medicaid	$ 23,977,615	$ 3,338,944	$ 9,654,519	$ 10,984,152
Office of Citizens with Developmental Disabilities	148,758	93,982	54,776	-
Louisiana Rehab Services	15,000	15,000	-	-
Sales	894,039	892,403	-	1,636
Client Billings	1,077,912	32,761	151,237	893,914
Other Residential Facilities	312,012	312,012	-	-
Total Program Revenue	$ 26,425,336	$ 4,685,102	$ 9,860,532	$ 11,879,702

Note 8. Detail of Program Revenue (Continued)

		Program		
June 30, 2018	**Total**	**Employment Services**	**Community Services**	**Residential Services**
Medicaid	$ 24,045,515	$ 2,966,585	$ 8,269,939	$ 12,808,991
Office of Citizens with Developmental Disabilities	97,239	63,350	30,459	3,430
Louisiana Rehab Services	26,250	26,250	-	-
Sales	883,803	882,283	-	1,520
Client Billings	1,089,162	36,182	128,826	924,154
Other Residential Facilities	411,480	411,480	-	-
Total Program Revenue	$ 26,553,449	$ 4,386,130	$ 8,429,224	$ 13,738,095

Note 9. Net Assets with Donor Restrictions

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

	2019	2018
Subject to the Passage of Time:		
Donated Vehicles from LDOTD	**$ 510,878**	$ 536,315
Subject to Expenditures for Specified Purpose:		
Purchase of Generators for Particular Homes	**72,712**	-
Total Net Assets with Donor Restrictions	**$ 583,590**	$ 536,315

Note 10. 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 $130,654 and $209,511 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 was $178,127 and $103,996, respectively.

Note 11. 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, 2019 and 2018 were $185,122 and $174,318, respectively.

Note 12. 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, 2019 and 2018, amounts over FDIC coverage totaled $15,110,771 and $12,646,529, 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, 2019 and 2018, Arc received $23,977,615 and $24,045,515, respectively, from Medicaid, which was 85% and 86% of total revenues, respectively.

Note 13. 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 the Arc if disposed of unfavorably.

Note 14. Related Party Transactions

As of June 30, 2019 and 2018, Arc held investments with a company managed by a member of their Board of Directors.

Note 15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was December 24, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

THE ARC OF ACADIANA, INC. **Schedule I**
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2019

Louisiana Revised Statute 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	$286,892
Benefits - Insurance	$1,645
Benefits - Retirement	$9,675
Benefits - Other	$0
Car Allowance	$0
Vehicle Provided by Organization	$913
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Housing	$0
Unvouchered Expenses	$0
Special Meals	$400

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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 as of June 30, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 24, 2019.

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) 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as items 2019-001 that we consider to be a significant deficiency.

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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The Arc of Acadiana, Inc.'s Response to Findings
The Arc of Acadiana, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Arc of Acadiana, Inc.'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.

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.

LaPorte

A Professional Accounting Corporation

Metairie, LA
December 24, 2019

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?	Yes
	c. Noncompliance material to the financial statements noted?	None

Federal Awards - Not applicable

Part II - Financial Statement Findings

2019-001 Misappropriation of Assets

Criteria: Proper internal controls should be in place to secure assets from misappropriation and fraudulent financial reporting.

Condition: During the Statewide Agreed Upon Procedures engagement testing, performed concurrently with the audit, it was noted that one deposit slip for sales from one store location did not agree to the Sales Recap Form (sequentially numbered receipt summary). Upon further investigation by management to determine the reason for the difference, it was discovered that one employee responsible for making this deposit appears to have created a new deposit slip of a lesser amount, resulting in the deposit slip not agreeing to the Sales Recap Form. Upon further investigation by management to determine the magnitude of this process, it is estimated that a total discrepancy of approximately $76,000 exists for the period from January 2018 through November 2019 related to deposits made by this one employee which is deemed by management to be an alleged misappropriation of cash receipts from sales assets. In addition, it was noted that this employee had access to the accounting system and allegedly adjusted the accounting records for these specific deposits to match the new deposit slip amounts, resulting in fraudulent financial reporting.

Cause: Inadequate segregation of duties over cash receipts related to retail stores revenue deposits.

Effect: As a result of lack of adequate internal controls to prevent and detect fraud over retail store cash receipts, approximately $76,000 of cash from store sales has allegedly been misappropriated and fraudulently reported in the accounting system. The alleged misappropriation did not involve public funds.

Part II - Financial Statement Findings (Continued)

2019-01 Misappropriation of Assets (Continued)

Recommendation: The Organization should implement policies and procedures to segregate duties of employees, separating the ability to deposit from individuals that also have access to the accounting system. In addition, policies and procedures should be established to have an individual reconcile the Sales Recap Form to the deposit slip and accounting records.

The Arc.
Acadiana

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Achieve with us.

December 23, 2019

Response to Finding

Misappropriation of Assets

Management relied on the assumption that policies and procedures for segregation of duties were in place at the location where the misappropriation of funds occurred because there was two persons handling the cash to be deposited. One counted and verified the cash as it came from the resale store and then prepared the deposit slip after verifying the cash to the sales tickets. The funds were then handed off to another who made the deposit. The breech in the procedure and the significant deficiency was the fact that both the original and the carbon copy of the deposit slip was handed over with the cash to be deposited to the second individual. It was later discovered that this individual removed cash from the amount to be deposited, destroyed the originally prepared deposit slips and made new deposit slips for the reduced cash to be deposited. This same person then falsified the accounting records to bring them in agreement with the deposited cash.

Management has immediately implemented more stringent policies and procedures to assure proper segregation of duties. Upon verification of the cash to the sales tickets a record of these sales will be made to a Sales Deposit Recap Form. As deposits are required, the deposit slip will be prepared and the cash and bank deposit form will be delivered to the bank. The carbon copy of the deposit slip will be retained and the Bank Customer Receipt for the deposit will be verified to the carbon copy of the deposit slip. Additionally, each store will prepare a Sales Recap Form for each day's sales.

Management has also removed the bookkeeping duties previously performed by the Program's office. The Sales Recap Form, the Sales Deposit Recap Form, and each day's sales tickets will be submitted to a newly expanded accounting department located at the Agency's Central Office. All accounting for these cash transactions will be more closely monitored by the Accounting Manager and not the Program Manager.

For people with intellectual and developmental disabilities.

THE ARC OF ACADIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

None.

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AGREED-UPON PROCEDURES REPORT

Arc of Acadiana, Inc.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2018 - June 30, 2019

To the Board of Directors,
Arc of Acadiana, Inc. and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below which were agreed to by Arc of Acadiana, Inc. (the Organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 to June 30, 2019. The Organization's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

   b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

   c) ***Disbursements***, including processing, reviewing, and approving.

   d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

   e) ***Payroll/Personnel***, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.

f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

g) ***Credit Cards (and Debit Cards, Fuel Cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

k) ***Disaster Recovery/Business Continuity,*** including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

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

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

   a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

   c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

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

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

   a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);

   b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

   c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

   Results: We obtained managements representation that the listing is complete. No exceptions were found as a result of this procedure.

Collections (excluding EFTs)

4. Obtain a listing of <u>deposit sites</u> for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

   Results: We obtained managements representation that the listing is complete.

5. For each deposit site selected, obtain a listing of <u>collection locations</u> and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

   a) Employees that are responsible for cash collections do not share cash drawers/registers.

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

   c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

   d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

   Results: We obtained managements representation that the listing is complete. No exceptions were found as a result of this procedure.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

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

7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:

   a) Observe that receipts are sequentially pre-numbered.

   b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

   c) Trace the deposit slip total to the actual deposit per the bank statement.

   d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than $100).

   e) Trace the actual deposit per the bank statement to the general ledger.

   Results: There is no process to make deposits daily, even though each bank the Organization uses has a branch within ten miles. Of the ten deposits tested, one deposit did not agree to the Sales Recap Form (sequentially numbered receipt summary). Upon further investigation by management to determine the reason for the difference, it was discovered that one employee responsible for making this deposit appears to have created a new deposit slip of a lesser amount, resulting in the deposit slip not agreeing to the Sales Recap Form.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five).

   Results: We obtained managements representation that the listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

   b) At least two employees are involved in processing and approving payments to vendors.

   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We obtained managements representation that the listing is complete. No exceptions were found as a result of this procedure.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction, and:

    a) Observe that the disbursement matched the related original invoice/billing statement.

    b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

    Results: We obtained managements representation that the listing is complete. No exceptions were found as a result of this procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

    Results: We obtained managements representation that the listing is complete.

12. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

    a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

    b) Observe that finance charges and late fees were not assessed on the selected statements.

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

13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have ten transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

    a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

    b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

    c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

    d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

    Results: We obtained managements representation that the listing is complete. No exceptions were found as a result of this procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

    a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

    b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

    c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.

    d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

    Results: This procedure is not applicable as there were no contracts obtained with the use of public funds.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

    Results: We obtained managements representation that the listing is complete.

17. Randomly select one pay period during the fiscal period. For the five employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

    b) Observe that supervisors approved the attendance and leave of the selected employees and officials.

    c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

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

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

    Results: We obtained managements representation that the listing is complete. One of the two employees tested was not paid their accrued compensated absences.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

    Results: We obtained management's representation regarding the above and no exceptions were found as a result of this procedure.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

    a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

    b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: This procedure is not applicable as the Organization is not subject to the Louisiana Code of Ethics.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

    Results: This procedure is not applicable as the Organization had no debt for the year ended June 30, 2019.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

    Results: This procedure is not applicable as the Organization had no debt for the year ended June 30, 2019.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the Organization attorney of the parish in which the entity is domiciled.

    Results: The one alleged fraud discovery mentioned in procedure 7 above relates to store sales, which is not public funds. Therefore, no exceptions were found as a result of this procedure as it relates to misappropriation of public funds and assets.

24. Observe that the entity has posted on its premises and website, the notice required by L.R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

LaPorte

A Professional Accounting Corporation

Metairie, LA
December 24, 2019

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December 23, 2019

Response to Finding

Misappropriation of Assets

Management relied on the assumption that policies and procedures for segregation of duties were in place at the location where the misappropriation of funds occurred because there was two persons handling the cash to be deposited. One counted and verified the cash as it came from the resale store and then prepared the deposit slip after verifying the cash to the sales tickets. The funds were then handed off to another who made the deposit. The breech in the procedure and the significant deficiency was the fact that both the original and the carbon copy of the deposit slip was handed over with the cash to be deposited to the second individual. It was later discovered that this individual removed cash from the amount to be deposited, destroyed the originally prepared deposit slips and made new deposit slips for the reduced cash to be deposited. This same person then falsified the accounting records to bring them in agreement with the deposited cash.

Management has immediately implemented more stringent policies and procedures to assure proper segregation of duties. Upon verification of the cash to the sales tickets a record of these sales will be made to a Sales Deposit Recap Form. As deposits are required, the deposit slip will be prepared and the cash and bank deposit form will be delivered to the bank. The carbon copy of the deposit slip will be retained and the Bank Customer Receipt for the deposit will be verified to the carbon copy of the deposit slip. Additionally, each store will prepare a Sales Recap Form for each day's sales.

Management has also removed the bookkeeping duties previously performed by the Program's office. The Sales Recap Form, the Sales Deposit Recap Form, and each day's sales tickets will be submitted to a newly expanded accounting department located at the Agency's Central Office. All accounting for these cash transactions will be more closely monitored by the Accounting Manager and not the Program Manager.

Failure to pay out accrued compensated absences

Management has perfected a procedural checklist to be completed upon termination of an employee. This checklist includes double verification of a payment of an accrued compensated absences that the terminated employee may be entitled to receive.