

**THE ARC CADDO-BOSSIER**

**SHREVEPORT, LOUISIANA**

**JUNE 30, 2017**

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

SUPPLEMENTARY INFORMATION

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

OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21
Schedule of Findings and Questioned Costs	22
Schedule of Prior Year Findings	23
Management's Corrective Action Plan	24

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

November 29, 2017

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

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from The Arc's 2016 consolidated financial statements and, in our report dated December 1, 2016, we expressed an unmodified opinion on those consolidated financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

**HMV**

A PROFESSIONAL SERVICES FIRM  
SHREVEPORT • MONROE • DELHI

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc Caddo-Bossier as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of The Arc Caddo-Bossier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc Caddo-Bossier's internal control over financial reporting and compliance.

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

<u>ASSETS</u>	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Restricted and Designated</u>
Cash and cash equivalents	2,825,791	77,335
Investments-Notes 8 and 12	1,956,094	1,496,864
Accounts receivable-Note 4	1,281,429	-
Prepaid expenses and other assets	121,130	-
Land, building and equipment-Note 5	-	-
<u>Less-accumulated depreciation</u>	-	-
Beneficial interest in foundation-Note 13	-	<u>6,488,888</u>
 Total assets	 <u>6,184,444</u>	 <u>8,063,087</u>
 <u>LIABILITES AND NET ASSETS</u>		
Accounts payable	17,834	-
Accrued payroll and related liabilities	536,435	-
Accrued expenses	68,496	-
Total liabilities	<u>622,765</u>	-
 <u>Net assets</u> -Note 3	 <u>5,561,679</u>	 <u>8,063,087</u>
 Total liabilities and net assets	 <u>6,184,444</u>	 <u>8,063,087</u>

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

Land, Building and Equipment Fund	Total - All Funds (Memorandum Only)	
	June 30, 2017	June 30, 2016
-	2,903,126	2,533,021
-	3,452,958	3,045,183
-	1,281,429	1,332,104
-	121,130	229,442
9,129,626	9,129,626	8,993,174
(6,586,940)	(6,586,940)	(6,250,091)
-	6,488,888	5,989,719
<u>2,542,686</u>	<u>16,790,217</u>	<u>15,872,552</u>
-	17,834	248,915
-	536,435	572,630
-	68,496	53,245
-	622,765	874,790
<u>2,542,686</u>	<u>16,167,452</u>	<u>14,997,762</u>
<u>2,542,686</u>	<u>16,790,217</u>	<u>15,872,552</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Permanently Restricted, Temporarily Restricted, and Designated</u>
<b><u>Public support and revenue:</u></b>		
<u>Public support:</u>		
State of Louisiana	267,891	-
Title XIX	10,844,297	-
United Way	48,755	-
Contributions	386,260	1,855
Service Fees	528,708	-
Other public support	<u>39,299</u>	<u>-</u>
Total public support	12,115,210	1,855
 <u>Revenue:</u>		
Sales revenue	3,163,934	106,468
Membership dues	8,609	-
Investment income-Note 8	423,589	-
Change in interest in Foundation	-	499,169
Other income	<u>53,288</u>	<u>-</u>
Total revenue	<u>3,649,420</u>	<u>605,637</u>
 Total public support and revenue	 15,764,630	 607,492
 <b><u>Expenses:</u></b>		
Adult services	3,546,377	99,644
Children services	882,516	8,396
Residential services	8,866,119	-
Leisure Services	179,534	-
Management and general	<u>1,236,478</u>	<u>-</u>
Total expenses	<u>14,711,024</u>	<u>108,040</u>
 <b><u>Change in net assets</u></b>	 1,053,606	 499,452
 <b><u>Net assets-beginning of year</u></b> -Note 3	 5,185,076	 7,069,603
Transfers-Note 3	<u>(677,003)</u>	<u>494,032</u>
	<u>4,508,073</u>	<u>7,563,635</u>
 <b><u>Net assets-end of year</u></b> -Note 3	 <u>5,561,679</u>	 <u>8,063,087</u>

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

Total - All Funds  
(Memorandum Only)

---

Land, Building and Equipment Fund	June 30, 2017	June 30, 2016
-	267,891	270,639
-	10,844,297	11,168,039
-	48,755	56,577
-	388,115	437,233
-	528,708	524,417
-	39,299	36,637
-	<u>12,117,065</u>	<u>12,493,542</u>
-	3,270,402	3,075,286
-	8,609	8,934
-	423,589	(17,650)
-	499,169	(166,945)
-	53,288	84,168
-	<u>4,255,057</u>	<u>2,983,793</u>
-	16,372,122	15,477,335
120,371	3,766,392	3,697,398
41,884	932,796	959,501
113,944	8,980,063	9,325,361
63,382	242,916	275,221
43,787	<u>1,280,265</u>	<u>1,389,868</u>
<u>383,368</u>	<u>15,202,432</u>	<u>15,647,349</u>
(383,368)	1,169,690	(170,014)
2,743,083	14,997,762	15,167,776
182,971	-	-
<u>2,926,054</u>	<u>14,997,762</u>	<u>15,167,776</u>
<u>2,542,686</u>	<u>16,167,452</u>	<u>14,997,762</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
Salaries	2,266,073	657,059	6,632,952
Payroll taxes	176,716	51,434	527,638
Other employee expenses	<u>373,474</u>	<u>37,696</u>	<u>391,716</u>
Total salaries and payroll related expenses	2,816,263	746,189	7,552,306
Professional	4,765	226	9,835
Insurance	83,802	3,063	58,400
Licenses	750	200	336,435
Office expense	12,030	228	14,068
Postage and publication	1,961	645	1,401
Dues and subscriptions	1,171	1,586	987
Telephone	12,256	1,811	15,899
Repairs and maintenance	84,270	11,516	101,130
Building services	4,488	1,326	35,245
Training	648	8,129	13,897
Travel and conventions	26,764	2,287	70,607
Operating supplies	312,952	31,757	8,569
Utilities	103,953	12,967	100,797
Rent	-	-	-
Vehicle and equipment lease	58,286	4,125	26,550
Property tax	-	-	-
Food	801	60,467	124,467
Household supplies	260	3,111	25,012
Clothing	-	-	9,684
Personal necessities	-	-	11,564
Medical and therapy	-	(16)	41,653
Transportation and outing	-	-	2,669
Consultant fees	28,975	610	235,996
Other	<u>91,626</u>	<u>685</u>	<u>68,948</u>
Total other expenses before depreciation	<u>829,758</u>	<u>144,723</u>	<u>1,313,813</u>
Total expenses before depreciation	3,646,021	890,912	8,866,119
<u>Depreciation expense</u>	<u>120,371</u>	<u>41,884</u>	<u>113,944</u>
<u>Total expenses</u>	<u><u>3,766,392</u></u>	<u><u>932,796</u></u>	<u><u>8,980,063</u></u>

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

<u>Leisure Services</u>	<u>Management and General</u>	<u>Total - All Funds (Memorandum Only)</u>	
		<u>June 30, 2017</u>	<u>June 30, 2016</u>
94,074	710,341	10,360,499	10,643,701
7,601	53,042	816,431	837,590
559	61,352	864,797	962,010
<u>102,234</u>	<u>824,735</u>	<u>12,041,727</u>	<u>12,443,301</u>
1,250	113,420	129,496	120,473
12,972	84,917	243,154	245,794
-	-	337,385	338,333
2,638	63,756	92,720	88,363
209	1,536	5,752	8,958
940	20,998	25,682	24,892
3,807	3,681	37,454	36,227
2,886	19,803	219,605	251,481
6,767	16,981	64,807	65,267
2,295	25,854	50,823	37,474
1,504	26,693	127,855	121,569
25,334	2,939	381,551	379,393
5,533	11,624	234,874	233,629
3	-	3	3
-	13,435	102,396	139,002
-	119	119	108
679	2,079	188,493	203,784
-	213	28,596	34,749
-	-	9,684	9,940
-	-	11,564	13,000
2,869	2,377	46,883	44,277
-	-	2,669	1,943
5,000	-	270,581	222,331
2,614	1,318	165,191	196,463
<u>77,300</u>	<u>411,743</u>	<u>2,777,337</u>	<u>2,817,453</u>
179,534	1,236,478	14,819,064	15,260,754
<u>63,382</u>	<u>43,787</u>	<u>383,368</u>	<u>386,595</u>
<u>242,916</u>	<u>1,280,265</u>	<u>15,202,432</u>	<u>15,647,349</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b><u>Cash flows from operating activities:</u></b>		
Change in net assets	1,169,690	(170,014)
Adjustments to reconcile change in net assets to net cash (used) provided by operating expenses:		
Depreciation	383,368	386,595
Net realized and unrealized (gains) losses on investments	(331,812)	121,058
Change in interest in Foundation	(499,169)	166,945
Decrease in accounts receivable	50,675	274,431
Decrease (increase) in prepaid expenses and other assets	108,312	(130,340)
(Decrease) increase in accounts payable	(231,081)	126,832
(Decrease) Increase in payroll liabilities	(36,195)	313,588
Increase in accrued expenses	<u>15,251</u>	<u>23,300</u>
Total adjustments	<u>(540,651)</u>	<u>1,282,409</u>
Net cash provided by operating activities	629,039	1,112,395
<b><u>Cash flows from investing activities:</u></b>		
Net redemption (purchase) of investments	(75,963)	(88,500)
Purchase of fixed assets	<u>(182,971)</u>	<u>(308,866)</u>
Net cash (used) by investing activities	(258,934)	(397,366)
<b><u>Net increase in cash and cash equivalents</u></b>	370,105	715,029
<b><u>Cash and cash equivalents at beginning of year</u></b>	<u>2,533,021</u>	<u>1,817,992</u>
<b><u>Cash and cash equivalents at end of year</u></b>	<u>2,903,126</u>	<u>2,533,021</u>
<b><u>Supplemental disclosures:</u></b>		
Cash paid for interest	<u>-</u>	<u>-</u>

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

THE ARC CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

**1. Nature of Business**

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

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

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

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

**2. Summary of Significant Accounting Policies**

a) Financial Statement Presentation:

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

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

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

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

## 2. Summary of Significant Accounting Policies (Continued)

### b) Contributions:

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

### c) Promises to Give:

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

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

### d) Investments:

The Arc accounts for investments at fair value.

### e) Estimates:

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

### f) Land, Building and Equipment:

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

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

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

### g) Advertising Costs:

Costs of advertising are expensed as incurred.

### h) Consolidation:

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

## 2. Summary of Significant Accounting Policies (Continued)

### i) Income Taxes:

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

The Arc and GREAT are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2014 and beyond remain subject to examination by the Internal Revenue Service.

### j) Functional Expenses:

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

### k) Cash Equivalents:

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

### l) Compensated Absences:

Annual leave is earned by employees as follows:

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

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

Sick leave is included in annual leave.

### m) Trade Receivables from Contract Work:

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

2. Summary of Significant Accounting Policies (Continued)

periodically reviews its outstanding receivables for collectability, and has determined that no allowance is necessary at June 30, 2017. Past due status of receivables is based on their contractual terms. Amounts received under third-party reimbursement plans are subject to adjustment by the payer, and also may be subject to subsequent audit. Management believes the possibility of adjustments of material amount is remote.

3. Net Assets

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

	<u>June 30,</u> <u>2016</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>June 30,</u> <u>2017</u>
<u>Permanently Restricted:</u>					
The Arc Caddo-Bossier Foundation	50,000	-	-	-	50,000
<u>Temporarily Restricted:</u>					
The Arc Caddo-Bossier Foundation	5,939,719	499,169	-	-	6,438,888
McCreary Scholarship	29,121	100	(7,525)	-	21,696
Mark Carlisle Emergency Fund	<u>4,758</u>	<u>1,755</u>	<u>(871)</u>	<u>-</u>	<u>5,642</u>
	5,973,598	501,024	(8,396)	-	6,466,226
<u>Designated:</u>					
Adult Services	43,173	106,468	(99,644)	-	49,997
Worker's compensation	<u>1,002,832</u>	<u>-</u>	<u>-</u>	<u>494,032</u>	<u>1,496,864</u>
	<u>1,046,005</u>	<u>106,468</u>	<u>(99,644)</u>	<u>494,032</u>	<u>1,546,861</u>
	<u>7,069,603</u>	<u>607,492</u>	<u>(108,040)</u>	<u>494,032</u>	<u>8,063,087</u>

4. Accounts Receivable

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

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>
Contract work	341,008	315,850
State of Louisiana	15,450	10,241
Title XIX	845,226	891,816
Other	<u>79,745</u>	<u>114,197</u>
Total	<u>1,281,429</u>	<u>1,332,104</u>

4. **Accounts Receivable** (Continued)

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

5. **Land, Building and Equipment**

Land, building and equipment is composed of the following:

	<u>June 30, 2017</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	433,212	-	433,212
Buildings	3,378,595	2,474,870	903,725
Furniture and equipment	2,839,885	2,458,366	381,519
Vehicles	528,734	421,337	107,397
Improvements	<u>1,949,200</u>	<u>1,232,367</u>	<u>716,833</u>
Totals	<u><u>9,129,626</u></u>	<u><u>6,586,940</u></u>	<u><u>2,542,686</u></u>

	<u>June 30, 2016</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	433,212	-	433,212
Buildings	3,378,595	2,392,690	985,905
Furniture and equipment	2,805,927	2,347,951	457,976
Vehicles	499,753	374,414	125,339
Improvements	<u>1,875,687</u>	<u>1,135,036</u>	<u>740,651</u>
Totals	<u><u>8,993,174</u></u>	<u><u>6,250,091</u></u>	<u><u>2,743,083</u></u>

6. **Commitments**

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

2018	96,366
2019	81,206
2020	57,032
2021	49,354
2022	<u>10,172</u>
	<u><u>294,130</u></u>

7. **Other Employee Expenses**

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% discretionary employer match for employee contributions up to 2% of employee salary. The Arc made no contributions to this plan for the years ending June 30, 2017 and 2016.

8. **Investments**

Investments are summarized as follows:

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

  

	<u>June 30, 2016</u>		
	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Bond funds	552,548	540,093	(12,455)
Equity funds	2,332,770	2,422,685	89,915
Money funds	<u>82,405</u>	<u>82,405</u>	<u>-</u>
Totals	<u><u>2,967,723</u></u>	<u><u>3,045,183</u></u>	<u><u>77,460</u></u>

Investment income (loss) consists of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Interest and dividends	91,777	103,408
Net realized (losses)	(3,954)	(119,007)
Net unrealized gains (losses)	<u>335,766</u>	<u>(2,051)</u>
	<u><u>423,589</u></u>	<u><u>(17,650)</u></u>

9. **Line of Credit and Borrowings**

The Arc has a line of credit with a local bank, renewed in July 2017, with a maximum borrowing limit of \$100,000. The credit line is secured by an investment brokerage account having an estimated market value of \$3,045,000 at June 30, 2017. Interest is variable, based on 2.00% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2017 and 2016.

10. **Conditional Promises**

Conditional promises consist of the unfunded portions of approved governmental grants, either currently in effect or approved for commencement after June 30, 2017. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately \$202,000 at June 30, 2017.

11. **Related Party Transactions**

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

	<u>Louisiana Disabled Persons Housing Corporation</u>	
	<u>Summarized Statements of Net Assets</u>	
	<u>June 30, 2017 and 2016</u>	
	<u>2017</u>	<u>2016</u>
Current assets	24,997	28,665
Fixed assets, net	304,976	305,676
Other assets	<u>33,660</u>	<u>34,859</u>
Total assets	<u>363,633</u>	<u>369,200</u>
Current liabilities	48,708	51,027
Long-term debt, less current portion	<u>429,366</u>	<u>470,414</u>
Total liabilities	478,074	521,441
Net assets (deficit)	<u>(114,441)</u>	<u>(152,241)</u>
Total liabilities and net assets	<u>363,633</u>	<u>369,200</u>

11. Related Party Transactions (Continued)

Louisiana Disabled Persons Housing Corporation  
Summarized Statements of Activities  
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Income	261,082	256,244
Expenses	<u>223,282</u>	<u>213,746</u>
Change in net assets	37,800	42,498
Net assets (deficit), beginning	<u>(152,241)</u>	<u>(194,739)</u>
Net assets (deficit), ending	<u>(114,441)</u>	<u>(152,241)</u>

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

June 30, 2017				
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>680,562</u>	<u>(4,248)</u>	<u>(648,311)</u>	<u>(28,003)</u>
June 30, 2016				
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	<u>709,934</u>	<u>(7,011)</u>	<u>(657,477)</u>	<u>(45,446)</u>

12. **Fair Value Measurements**

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

*Assets at Fair Value as of June 30, 2017*

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

*Assets at Fair Value as of June 30, 2016*

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	82,405	-	-	82,405
Mutual funds	2,422,685	-	-	2,422,685
Exchange traded funds	540,093	-	-	540,093
Total	3,045,183	-	-	3,045,183

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

13. **Beneficial Interest in Foundation**

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

**13. Beneficial Interest in Foundation (Continued)**

Funds belonging to The Foundation are not automatically available to The Arc, but must be requested for specific purposes through a formal process that The Foundation controls. This process involves a review of amounts available for annual distribution and formal approval of funding requests by The Foundation's board. The Foundation transferred \$284,971 and \$188,000 to The Arc during the years ended June 30, 2017 and 2016, which was included in contribution revenue.

**14. Subsequent Events**

The Arc and GREAT are required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the consolidated financial statements. Each entity performed such an evaluation through November 29, 2017, the date which the consolidated financial statements were available to be issued, and noted no such subsequent events.

**SUPPLEMENTARY INFORMATION**

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
<b><u>Public support and revenue:</u></b>			
<b><u>Public support:</u></b>			
State of Louisiana	34,552	180,759	52,580
Title XIX	911,350	-	9,932,947
United Way	-	48,755	-
Contributions	89,971	137,284	3,000
Service Fees	-	469,213	-
Other public support	-	39,299	-
Total public support	<u>1,035,873</u>	<u>875,310</u>	<u>9,988,527</u>
 <b><u>Revenue:</u></b>			
Sales revenue	3,270,362	40	-
Membership dues	-	-	-
Investment income	-	-	-
Change in interest in Foundation	-	-	-
Other income	9,109	12,823	22,242
Total revenue	<u>3,279,471</u>	<u>12,863</u>	<u>22,242</u>
 Total public support and revenue	 4,315,344	 888,173	 10,010,769
 Total salaries and payroll related expenses	 2,816,263	 746,189	 7,552,306
 Total other expenses before depreciation	 <u>829,758</u>	 <u>144,723</u>	 <u>1,313,813</u>
 Total expenses before depreciation	 3,646,021	 890,912	 8,866,119
 Depreciation expense	 <u>120,371</u>	 <u>41,884</u>	 <u>113,944</u>
 Total expenses	 <u>3,766,392</u>	 <u>932,796</u>	 <u>8,980,063</u>
 Change in net assets	 <u>548,952</u>	 <u>(44,623)</u>	 <u>1,030,706</u>

<u>Leisure Services</u>	<u>Management and General</u>	<u>Total</u>
-	-	267,891
-	-	10,844,297
-	-	48,755
136,379	21,481	388,115
59,495	-	528,708
-	-	39,299
<u>195,874</u>	<u>21,481</u>	<u>12,117,065</u>
-	-	3,270,402
-	8,609	8,609
-	423,589	423,589
-	499,169	499,169
5,052	4,062	53,288
<u>5,052</u>	<u>935,429</u>	<u>4,255,057</u>
200,926	956,910	16,372,122
102,234	824,735	12,041,727
<u>77,300</u>	<u>411,743</u>	<u>2,777,337</u>
179,534	1,236,478	14,819,064
<u>63,382</u>	<u>43,787</u>	<u>383,368</u>
<u>242,916</u>	<u>1,280,265</u>	<u>15,202,432</u>
<u>(41,990)</u>	<u>(323,355)</u>	<u>1,169,690</u>

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-

ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Adult Services Per Books</u>	<u>Eliminations Increase (Decrease)</u>	<u>Adult Services Per Report</u>
<b><u>Public support and revenue:</u></b>			
<b><u>Public support:</u></b>			
State of Louisiana	34,552	-	34,552
Title XIX	911,350	-	911,350
Contributions	89,971	-	89,971
Service Fees	<u>235,282</u>	<u>(235,282)</u>	<u>-</u>
Total public support	1,271,155	(235,282)	1,035,873
 <b><u>Revenue:</u></b>			
Sales revenue	3,270,362	-	3,270,362
Other income	<u>9,109</u>	<u>-</u>	<u>9,109</u>
Total revenue	<u>3,279,471</u>	<u>-</u>	<u>3,279,471</u>
 Total public support and revenue	4,550,626	(235,282)	4,315,344
 Total salaries and payroll related expenses	2,816,263	-	2,816,263
 Total other expenses before depreciation	<u>829,758</u>	<u>-</u>	<u>829,758</u>
 Total expenses before depreciation	3,646,021	-	3,646,021
 Depreciation expense	<u>120,371</u>	<u>-</u>	<u>120,371</u>
 Total expenses	<u>3,766,392</u>	<u>-</u>	<u>3,766,392</u>
 Change in net assets	<u>784,234</u>	<u>(235,282)</u>	<u>548,952</u>

Residential Services Per Books	Eliminations Increase (Decrease)	Residential Services Per Report
52,580	-	52,580
9,932,947	-	9,932,947
3,000	-	3,000
<u>-</u>	<u>-</u>	<u>-</u>
9,988,527	-	9,988,527
-	-	-
<u>22,242</u>	<u>-</u>	<u>22,242</u>
<u>22,242</u>	<u>-</u>	<u>22,242</u>
10,010,769	-	10,010,769
7,552,306	-	7,552,306
<u>1,549,095</u>	<u>(235,282)</u>	<u>1,313,813</u>
9,101,401	(235,282)	8,866,119
<u>113,944</u>	<u>-</u>	<u>113,944</u>
<u>9,215,345</u>	<u>(235,282)</u>	<u>8,980,063</u>
<u>795,424</u>	<u>235,282</u>	<u>1,030,706</u>

THE ARC CADDO-BOSSIER

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

FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: Janet Parker

Salary	87,401
Car lease	6,308
Cell phone	589
Travel	2,874
Car insurance	2,210

**OTHER REPORTS**

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

November 29, 2017

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 29, 2017.

## **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-01, that we consider to be a material weakness.

**HMV**

A PROFESSIONAL SERVICES FIRM  
SHREVEPORT • MONROE • DELHI

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Heard, McElroy & Vestal, LLC*

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

**A. Summary of Audit Results**

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

**B. Findings - Financial Statement Audit**

**2017-01 Accounts Receivable**

During our review of the balancing procedures for accounts receivable we noted two errors involving the reconciliation process. The first instance was caused by personnel in a remote division assigning the incorrect year when posting sales invoices. An attempt to correct those mispostings by entering adjustments into the receivables system caused the invoices to be processed in a period later than the current fiscal year. This error was corrected by an audit adjustment to increase receivables and sales revenue by \$69,686. The second instance was caused by personnel in a remote division posting sales invoices of \$40,007 after the system's closeout date of July 10. Although representing a valid sale for the year under audit, the posting caused a discrepancy between the supporting subsidiary receivable ledgers and the Arc's general ledger. Neither error was detected by The Arc personnel because the accounts receivable aging report was not consistently reviewed and balanced against the related receivable accounts in the general ledger.

In order to prevent a recurrence of these errors, we recommend that The Arc ensure that all monthly receivable reconciliation procedures are followed and that, as much as possible, the monthly closeout due date for the posting of invoices be observed. If posting occurs after that date, the Finance Office should be notified. Any receivable adjustments needed to correct a date or invoice error should be brought to the attention of the Finance Office.

**C. Findings and Questioned Costs - Major Federal Award Programs**

Not applicable

THE ARC CADDO-BOSSIER  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

No matters were reported in the prior year.

THE ARC CADDO-BOSSIER  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

**2017-01 Accounts Receivable**

We agree with the finding, and will implement the suggested procedures.