



***The Arc***<sup>®</sup>

*East Ascension*

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**THE ARC OF EAST ASCENSION**

**(A NOT FOR PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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Postlethwaite & Netterville

A Professional Accounting Corporation

[www.pncpa.com](http://www.pncpa.com)

**THE ARC OF EAST ASCENSION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The ARC of East Ascension  
Gonzales, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of The ARC of East Ascension (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and changes in net assets 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.

### Auditors' 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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of East Ascension as of June 30, 2017 and 2016, 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.



## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses on page 12 and the schedule of compensation, benefits and other payments to chief executive officer on page 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of The ARC of East Ascension'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 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 East Ascension's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Gonzales, Louisiana  
November 13, 2017

**THE ARC OF EAST ASCENSION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**Gonzales, Louisiana**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

**ASSETS**

	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash and cash equivalents	\$ 76,661	\$ 129,329
Certificates of deposit	150,509	235,816
Investments	1,976,754	1,815,444
Accounts receivable, net	203,386	284,654
Accrued interest receivable	2,409	1,826
Prepaid expenses	39,951	27,461
Land, building, and equipment - net	<u>1,524,054</u>	<u>1,540,376</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,973,724</u></b>	<b><u>\$ 4,034,906</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 48,582	\$ 20,979
Line of credit	30,000	-
Accrued liabilities	187,466	212,760
Deferred revenue	<u>77,785</u>	<u>24,245</u>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>343,833</u></b>	<b><u>257,984</u></b>

**NET ASSETS**

Unrestricted:		
Undesignated	3,229,891	3,376,922
Board designated:		
Emergency funds	<u>400,000</u>	<u>400,000</u>
Total unrestricted net assets	<u>3,629,891</u>	<u>3,776,922</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 3,973,724</u></b>	<b><u>\$ 4,034,906</u></b>

The accompanying notes are an integral part of these statements.

**THE ARC OF EAST ASCENSION**  
**(A NOT FOR PROFIT ORGANIZATION)**  
**Gonzales, Louisiana**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b><u>REVENUES AND OTHER SUPPORT, UNRESTRICTED</u></b>		
Public support:		
Allocated by Capital Area United Way	\$ -	\$ 17,000
Contributions, fundraising, and other	159,614	118,378
Income from government agencies	2,585,756	2,948,600
Other revenue:		
Membership dues - individual	1,450	1,770
Sales to public	91,917	115,030
Investment earnings	179,025	19,934
Miscellaneous income	3,808	1,108
Total unrestricted revenues and other support	3,021,570	3,221,820
<b><u>EXPENSES:</u></b>		
Program services:		
Adult day training	653,004	703,506
Adult support for independent living	2,140,533	2,387,464
Center-based respite care	194,439	100,991
Support services:		
Management and general	151,331	97,314
Fundraising	29,294	26,311
Total expenses	3,168,601	3,315,586
Change in unrestricted net assets	(147,031)	(93,766)
Net assets at beginning of year	3,776,922	3,870,688
Net assets at end of year	\$ 3,629,891	\$ 3,776,922

The accompanying notes are an integral part of this statement.

**THE ARC OF EAST ASCENSION**  
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**Gonzales, Louisiana**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Cash received	\$ 2,923,813	\$ 3,204,172
Cash paid to suppliers and employees	(2,973,199)	(3,202,821)
Interest paid	401	644
Net cash (used in) provided by operating activities	(48,985)	1,995
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Net decrease in certificates of deposit	85,307	200,419
Purchases of property and equipment	(72,433)	(147,301)
Proceeds from sales of investments	272,127	488,017
Purchases of investments	(318,684)	(531,009)
Net cash (used in) provided by investing activities	(33,683)	10,126
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from line of credit	50,000	55,000
Payments on line of credit	(20,000)	(55,000)
Net cash provided by financing activities	30,000	-
Net (decrease) increase in cash and cash equivalents	(52,668)	12,121
Cash and cash equivalents at beginning of year	129,329	117,208
Cash and cash equivalents at end of year	\$ 76,661	\$ 129,329
<b>RECONCILEMENT OF NET INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (147,031)	\$ (93,766)
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Bad debt provision	40,237	-
Depreciation	86,700	84,112
Increase in deferred revenue	53,540	643
Loss on disposal of asset	2,055	-
Unrealized (gain) loss in investments	(109,238)	37,636
Realized (gain) loss on investments	(5,515)	2,766
Decrease in accounts receivable and prepaid expenses	27,958	10,662
Increase (decrease) in accounts payable and other accrued expenses	2,309	(40,058)
Net cash (used in) provided by operating activities	\$ (48,985)	\$ 1,995

The accompanying notes are an integral part of these statements.

**THE ARC OF EAST ASCENSION**  
**(A NOT FOR PROFIT ORGANIZATION)**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

A. The ARC of East Ascension (the Association) is a non-profit organization formed to furnish mentally and physically disabled individuals of Ascension Parish and other surrounding areas with education and recreation opportunities including, but not limited to, the following:

- Developing job skills,
- Developing personal and work adjustments,
- Providing, developing, and promoting employment opportunity,
- Promoting independent learning skills, and
- Providing goods and services needed by the disabled to achieve the above goals.

B. To ensure proper usage of restricted and unrestricted assets, the Association maintains its accounts according to generally accepted accounting principles, whereby funds are classified in accordance with specified restrictions or objectives.

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Association in accordance with its bylaws. Additionally, the Board has designated certain unrestricted net assets for specified purposes.

C. Buildings and equipment are recorded at cost and are being depreciated using the straight-line method over their estimated useful lives:

Buildings	10 - 40 years
Vehicles	3 - 5 years
Furniture and equipment	5 - 10 years

D. Management considers accounts receivable that are more than 30 days old to be past due. Additionally, management has determined that accounts receivable that are more than 90 days old may not be collectible. Therefore, the reserve for uncollectible accounts is based upon the balance of receivables that are more than 90 days old. At June 30, 2017 and June 30, 2016, the allowances for doubtful accounts were \$58,861 and \$27,900, respectively.

E. The majority of the Association's revenue is derived from third-party reimbursement arrangements. These revenues and the allowability of the related expenditures are subject to audits by the granting agencies.

F. Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

G. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**THE ARC OF EAST ASCENSION**  
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**NOTES TO FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies (continued)**

H. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets are released from restrictions. 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. During the years ended June 30, 2017 and 2016, there was no temporarily or permanently restricted support.

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

- I. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- J. The Association considers all cash accounts, money market funds, and certificates of deposit with a maturity of three months or less when purchased to be cash and cash equivalents.
- K. Vacation is earned at varying rates depending on length of service. At June 30, employees have the option to defer a maximum of 40 hours. The amounts related to this leave at June 30, 2017 and 2016 of \$18,389 and \$29,532, respectively, has been recorded.
- L. The Organization is a nonprofit organization that is exempt from the income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Therefore, the Organization has not recorded a provision for income taxes in the accompanying financial statements and the Organization does not have any uncertain tax positions. The Organization files a federal income tax return under U.S. federal jurisdiction. The Association does not have any uncertain tax positions. The Association files a federal income tax return under U.S. federal jurisdiction.

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**NOTES TO FINANCIAL STATEMENTS**

1. **Summary of Significant Accounting Policies (continued)**

M. Expenses are charged directly to programs in categories based on specific identification. Indirect expenses have been allocated based on total expenses for each program.

2. **Concentration of Credit Risk**

The ARC of East Ascension typically maintains cash, money market funds, and certificates of deposit in local banks, which may, at times, exceed the FDIC limits. Management believes the risk is limited. As of June 30, 2017, the Association did not have cash deposits which exceeded the FDIC insurance limits.

3. **Fair Values of Financial Instruments**

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

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

*Fair Value Hierarchy*

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

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**NOTES TO FINANCIAL STATEMENTS**

3. **Fair Values of Financial Instruments (continued)**

- Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

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

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

*Securities*

Securities are classified within Level 1 where quoted market prices are available in an active market. Inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are unavailable, fair value is estimated using pricing models or quoted prices of securities with similar characteristics, at which point the securities would be classified within Level 2 of the hierarchy.

The following table presents each fair value hierarchy levels, of the Association's financial assets and liabilities that are measured at fair value on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2017				
Mutual funds invested in:				
Bonds	\$ 733,479	\$ -	\$ -	\$ 733,479
Stocks	1,243,275	-	-	1,243,275
	<u>\$ 1,976,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,976,754</u>

**THE ARC OF EAST ASCENSION**  
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**NOTES TO FINANCIAL STATEMENTS**

3. **Fair Values of Financial Instruments (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2016				
Mutual funds invested in:				
Bonds	\$ 701,230	\$ -	\$ -	\$ 701,230
Stocks	1,114,214	-	-	1,114,214
	<u>\$ 1,815,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,815,444</u>

4. **Lease Agreement**

The land on which The ARC of East Ascension's building is located is leased from the Parish of Ascension. The lease period is ninety-nine (99) years with maturity on February 28, 2081. The lease for the property is one dollar (\$1.00) annually.

5. **Fixed Assets**

Fixed Assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 1,738,313	\$ 1,738,313
Vehicles	391,310	444,235
Furniture and equipment	251,051	251,051
Land and land improvements	273,444	273,444
	<u>2,654,118</u>	<u>2,707,043</u>
Less: Accumulated depreciation	<u>(1,130,064)</u>	<u>(1,166,667)</u>
	<u>\$ 1,524,054</u>	<u>\$ 1,540,376</u>

Depreciation expense was \$86,700 and \$84,112 for the years ended June 30, 2017 and 2016, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

6. **Line of Credit**

The Association has a \$150,000 line of credit with a local bank. The line of credit is secured by two certificates of deposit, has a maturity date of April 12, 2018, and has an interest rate of 4% per annum. As of June 30, 2017, the unused amount of the line of credit was \$120,000.

7. **Retirement Plan**

The ARC of East Ascension adopted a 401(K) profit sharing plan effective May 1, 2000. The plan covers substantially all full time employees. The Association has the discretionary right to determine the amount of any employer matching contribution made for a plan year. The Association made contributions of \$-0- for the years ended June 30, 2017 and 2016.

8. **Economic Dependency**

The ARC of East Ascension derives a large portion of its revenues from governmental sources (Medicaid) as earned revenue or grants, the loss of which would have a material adverse effect. During the years ended June 30, 2017 and 2016, revenue derived from governmental sources accounted for approximately 86% and 90% of total revenue, respectively, and accounts receivable at year-end were related to such revenues.

9. **Subsequent Events**

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 31, 2017, and has determined that no events occurred that require disclosure.

**SUPPLEMENTARY INFORMATION**

**THE ARC OF EAST ASCENSION**  
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**Gonzales, Louisiana**

**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>PROGRAM SERVICES</b>								<b>SUPPORTING SERVICES</b>		<b>Total Expenses</b>	
	<b>Adult Day Training</b>		<b>Adult Support for Independent Living</b>		<b>Center-based Respite Care</b>		<b>Total</b>		<b>Management and General and Fundraising</b>			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016		
Salaries and payroll taxes	\$ 412,466	\$ 427,826	\$ 1,557,959	\$ 1,735,382	\$ 78,973	\$ 46,445	\$ 2,049,398	\$ 2,209,653	\$ 407,137	\$ 421,810	\$ 2,456,535	\$ 2,631,463
Employee benefits	7,880	14,491	25,589	41,427	67	2,139	33,536	58,057	12,691	20,910	46,227	78,967
Professional fees & contract services	-	-	-	-	-	-	-	-	70,873	34,100	70,873	34,100
Office supplies	376	1,252	2,966	769	643	162	3,985	2,183	10,904	15,632	14,889	17,815
Telephone	4,659	3,128	6,454	4,329	979	759	12,092	8,216	23,134	27,507	35,226	35,723
Occupancy	13,364	24,871	1,509	-	12,871	12,747	27,744	37,618	26,666	33,146	54,410	70,764
Transportation	34,120	32,843	5,283	15,656	3,631	1,013	43,034	49,512	4,672	3,885	47,706	53,397
Repairs & maintenance	1,377	2,894	-	-	-	-	1,377	2,894	33,382	35,148	34,759	38,042
Training supplies	-	655	-	8,515	-	-	-	9,170	718	4,291	718	13,461
Conferences, conventions & meetings	-	-	-	-	-	-	-	-	3,106	7,558	3,106	7,558
Individual subsidy	-	-	33,729	29,705	-	-	33,729	29,705	-	-	33,729	29,705
Interest	-	-	-	-	-	-	-	-	401	644	401	644
Insurance	1,254	(1,708)	(3,288)	2,374	9,096	607	7,062	1,273	84,802	75,039	91,864	76,312
Marketing	-	-	46	173	-	-	46	173	425	2,167	471	2,340
Bad debt expense	-	-	-	-	-	-	-	-	40,237	-	40,237	-
Other	12,953	21,128	20,519	16,815	13,599	6,060	47,071	44,003	103,679	97,180	150,750	141,183
Allocation of administrative expenses	137,202	158,062	489,767	532,319	42,501	11,894	669,470	702,275	(669,470)	(702,275)	-	-
<b>Total expense before depreciation</b>	<b>625,651</b>	<b>685,442</b>	<b>2,140,533</b>	<b>2,387,464</b>	<b>162,360</b>	<b>81,826</b>	<b>2,928,544</b>	<b>3,154,732</b>	<b>153,357</b>	<b>76,742</b>	<b>3,081,901</b>	<b>3,231,474</b>
Depreciation of building & equipment	27,353	18,064	-	-	32,079	19,165	59,432	37,229	27,268	46,883	86,700	84,112
<b>Total Expenses</b>	<b><u>\$ 653,004</u></b>	<b><u>\$ 703,506</u></b>	<b><u>\$ 2,140,533</u></b>	<b><u>\$ 2,387,464</u></b>	<b><u>\$ 194,439</u></b>	<b><u>\$ 100,991</u></b>	<b><u>\$ 2,987,976</u></b>	<b><u>\$ 3,191,961</u></b>	<b><u>\$ 180,625</u></b>	<b><u>\$ 123,625</u></b>	<b><u>\$ 3,168,601</u></b>	<b><u>\$ 3,315,586</u></b>

**THE ARC OF EAST ASCENSION**  
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**Gonzales, Louisiana**

**SCHEDULE OF COMPENSATION, BENEFITS**  
**AND OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER**  
**YEAR ENDED JUNE 30, 2017**

Chief Executive Officer Name/Title: Norma Dukes, Executive Director

Salary	\$ 60,343
Benefits - insurance	1,452
	<u>\$ 61,795</u>

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

Board of Directors  
The ARC of East Ascension  
Gonzales, 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 East Ascension (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The ARC of East Ascension'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 East Ascension's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The ARC of East Ascension'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*.



### **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Gonzales, Louisiana  
November 13, 2017

**THE ARC OF EAST ASCENSION**  
**(A NOT FOR PROFIT ORGANIZATION)**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2017**

**SUMMARY OF AUDIT RESULTS**

1. The auditors' report expressed an unmodified opinion on the financial statements of The ARC of East Ascension.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements were reported as of June 30, 2017.
3. No instances of noncompliance material to the financial statements of The ARC of East Ascension were disclosed during the audit for the year ended June 30, 2017.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**NONE**

**THE ARC OF EAST ASCENSION**  
**(A NOT FOR PROFIT ORGANIZATION)**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2017**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**NONE**

To the Board of Directors  
The ARC of East Ascension  
Gonzales, Louisiana

We have audited the financial statements of the The ARC of East Ascension (the Association) for the year ended June 30, 2017, and have issued our report thereon dated November 13, 2017. Professional standards suggest that we provide you with the following information related to our audit.

As stated in our engagement letter dated August 1, 2017 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of The ARC of East Ascension. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure. During the course of the performance of our audit procedures and documentation of the Association's internal controls, we noted certain immaterial items that have been communicated to management by way of discussion. The following is a description of items that were of such significance to comment in a formal management letter.

#### **ML-2017-001 BOARD OF DIRECTORS OVERSIGHT**

**Findings:**

The Board of Directors as part of normal activities should provide a level of internal control related to its approval of expenditures. While it may seem cumbersome for all expenditures to require approval, it would seem that the Board would establish criteria that would require approval. For instance, expenditures that exceed a threshold established by the Board could require approval; expenditures that were extraordinary in nature could require Board approval. Several expenditures that we considered significant were not documented as having been approved by the Board. It was also noted that the Board did not document its approval of the annual budget.

**Recommendations:**

The Board should implement formal policies and procedures to more clearly define its responsibilities regarding approvals of items such as extraordinary expenditures and special payroll situations. The Board also needs to more closely monitor and approve the annual budget, as well as document such approval in the minutes.

**ML-2017-002 POLICIES AND PROCEDURES**

**Findings:** The Organization does not have formal policies in place related to travel, reimbursements, or credit card use.

**Recommendations:** The Board, in collaboration with management, should create, approve and implement formal accounting policies related to travel, reimbursements, and credit card use.

**ML-2017-003 EXECUTIVE DIRECTOR REVIEW**

**Findings:** The Executive Director indicated that she reviews the bank statements, deposit slips and journal entries. However, evidence of her review is not present on the actual documents.

**Recommendations:** The Executive Director should physically sign-off on all documentation to properly document her review of the information.

**ML-2017-004 AUTHORIZATION OF BANK TRANSFERS**

**Findings:** The Human Resource (HR) Manager carries out bank transfers between the Operating and Capital bank accounts without proper written authorization documented.

**Recommendations:** Written authorization should be obtained, by either the Board and/or the Executive Director, for any bank transfers carried out by the HR manager. Additionally, the written approval should be kept in the bank statement folder for the Account Specialist to review as she performs her monthly reconciliations.

**ML-2017-005 PAYROLL CHANGES**

**Findings:** Payroll changes entered by HR employees, in either Web Time or Paylocity, are not properly reviewed.

**Recommendations:** A payroll change report should be generated by payroll personnel and/or requested by the third-party service provider on an established frequency basis to be reviewed by the Executive Director or designated accounting personnel. Additionally, such review should be properly documented.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Directors and management, and others within, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Postlethwaite & Netterville*



Postlethwaite & Netterville

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