

CARC, INC.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Year Ended June 30, 2022

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

June 12, 2024

To the Board of Directors  
CARC, INC.

We have reviewed the accompanying financial statements of CARC, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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 misstatements, whether due to fraud or error.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated in the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of CARC, INC. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors  
June 12, 2024  
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### **Supplementary Information**

The supplementary information included in the schedule of support, revenues, and expenses – departmentalized and the schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*Thagpen, Cassidy: Skullyery*

CARC, INC.

Statement of Financial Position

June 30, 2022

With Comparative Totals as of June 30, 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,872,766	\$ 3,524,564
Investments	1,345,963	1,727,432
Accounts receivable		
Grants and contracts, net	1,366	2,071
Medicaid, net	667,378	480,897
Work Activity, net	3,532	22,835
Client Liability, net	1,275	8,186
Other	421,195	382,026
Accrued interest receivable	-	3,031
Note receivable-current portion	18,163	17,447
Merchandise inventory	35,222	46,835
Prepaid expenses-other	4,414	30,453
Total current assets	<u>5,371,274</u>	<u>6,245,777</u>
 <b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Land	602,250	638,881
Buildings	6,059,891	5,816,745
Leasehold improvements	196,385	196,385
Furniture, fixtures, and equipment	844,806	818,546
Transportation equipment	1,071,846	1,071,846
Construction in progress	-	-
	<u>8,775,178</u>	<u>8,542,403</u>
Less accumulated depreciation	<u>(3,963,589)</u>	<u>(3,800,217)</u>
	4,811,589	4,742,186
 <b>OTHER ASSETS</b>		
Deposits	5,600	5,600
Note receivable-noncurrent portion	393,253	412,634
	<u>398,853</u>	<u>418,234</u>
	<u>\$ 10,581,716</u>	<u>\$ 11,406,197</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Financial Position - Continued

June 30, 2022

With Comparative Totals as of June 30, 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 4,700	\$ 51,390
Accrued salaries	212,612	228,108
Payroll taxes payable	12,494	13,390
Deferred revenue	268,953	321,762
Accrued expenses - other	<u>80,751</u>	<u>63,861</u>
Total current liabilities	579,510	678,511
<b>NET ASSETS</b>		
Unrestricted	10,002,206	10,727,686
Temporarily restricted	<u>-</u>	<u>-</u>
	<u>10,002,206</u>	<u>10,727,686</u>
	<u>\$ 10,581,716</u>	<u>\$ 11,406,197</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Activities

Year Ended June 30, 2022

With Comparative Totals for the Year Ended June 30, 2021

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2022 Total</u>	<u>2021 Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Federal, state and local grants/contracts	\$ 16,956	\$ -	\$ 16,956	\$ 12,642
Medicaid	5,101,122	-	5,101,122	5,100,937
Contributions	431,924	-	431,924	282,421
Membership dues	9,490	-	9,490	6,370
Auxiliary activities	81,587	-	81,587	187,393
Other program fees	393,773	-	393,773	48,567
Fund raising	-	-	-	-
Investment income (loss)	(141,040)	-	(141,040)	270,786
Gain (loss) on disposal of assets	(47,319)	-	(47,319)	20,327
Rental	53,406	-	53,406	66,907
Other income	56,891	-	56,891	67,449
Medicaid Provider fee	-	-	-	746,945
Paycheck Protection Program Forgiveness	-	-	-	848,912
Net assets released from restrictions	-	-	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>5,956,790</b>	<b>-</b>	<b>5,956,790</b>	<b>7,659,656</b>
<b>EXPENSES AND LOSSES</b>				
Program services	6,369,514	-	6,369,514	7,012,810
Supporting services	-	-	-	-
Management and general	312,756	-	312,756	268,020
<b>TOTAL EXPENSES AND LOSSES</b>	<b>6,682,270</b>	<b>-</b>	<b>6,682,270</b>	<b>7,280,830</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(725,480)</b>	<b>-</b>	<b>(725,480)</b>	<b>378,826</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>10,727,686</b>	<b>-</b>	<b>10,727,686</b>	<b>10,348,860</b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$10,002,206</u></b>	<b><u>\$ -</u></b>	<b><u>\$10,002,206</u></b>	<b><u>\$10,727,686</u></b>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Functional Expenses

Year Ended June 30, 2022

With Comparative Totals for the year ended June 30, 2021

	Program Services		
	Work Activity	Adult Habilitation	Residential Services
Salaries and wages	\$ 188,509	\$ 200,600	\$ 998,209
Payroll taxes	14,334	15,015	75,082
Total salaries and related expenses	202,843	215,615	1,073,291
Advertising	-	-	-
Bad debts	-	-	-
Central office overhead	124,811	93,054	477,115
Consultants	-	-	47,619
Contract services	13,097	4,332	17,065
Dues and subscriptions	-	-	186
Employee benefits	6,768	5,716	30,478
Habilitative services	-	-	2,640
Insurance	118,614	34,012	202,156
Licenses	581	-	3,995
Medicaid provider fees	-	-	190,150
Medicaid provider relief fund	-	-	-
Medical	-	-	8,043
Miscellaneous	(1,040)	502	11,480
Office expense	-	-	-
Paycheck Protection Program Forgiveness	-	-	-
Professional services	-	-	-
Recreation expense	-	-	-
Rent	76,320	-	29,700
Repairs and maintenance	39,864	6,923	19,659
Seminars	-	-	-
Supplies	13,017	2,468	195,504
Telephone	1,566	7,792	4,869
Transportation	10,524	21,423	11,940
Travel	-	-	-
Utilities	7,570	8,140	35,197
Total expenses before depreciation expense	614,535	399,977	2,361,087
Depreciation expense	12,180	67,277	34,660
	<u>\$ 626,715</u>	<u>\$ 467,254</u>	<u>\$2,395,747</u>

See independent accountants' review report and notes to financial statements.



CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2022

With Comparative Totals for the year ended June 30, 2021

	Program Services			2021 Total
	Respite	Eliminations	2022 Total	
Salaries and wages	\$2,009,860	\$ -	\$3,397,178	\$3,626,818
Payroll taxes	152,980	-	257,411	273,119
Total salaries and related expenses	2,162,840	-	3,654,589	3,899,937
Advertising	-	-	-	-
Bad debts	-	-	-	-
Central office overhead	574,040	-	1,269,020	77,947
Consultants	-	-	47,619	62,567
Contract services	3,400	-	37,894	43,139
Dues and subscriptions	-	-	186	10,137
Employee benefits	28,735	-	71,697	85,433
Habilitative services	-	(2,640)	-	-
Insurance	95,590	-	450,372	271,673
Licenses	-	-	4,576	4,603
Medicaid provider fees	-	-	190,150	189,326
Medicaid provider relief fund	-	-	-	720,507
Medical	-	-	8,043	3,618
Miscellaneous	4,160	-	15,102	29,380
Office expense	-	-	-	-
Paycheck Protection Program Forgiveness	-	-	-	818,864
Professional services	-	-	-	20,300
Recreation expense	-	-	-	55
Rent	-	-	106,020	123,568
Repairs and maintenance	2,092	-	68,538	87,397
Seminars	-	-	-	-
Supplies	86	-	211,075	313,189
Telephone	3,312	-	17,539	18,091
Transportation	703	-	44,590	38,523
Travel	6,495	-	6,495	7,762
Utilities	985	-	51,892	50,965
Total expenses before depreciation expense	2,882,438	(2,640)	6,255,397	6,876,981
Depreciation expense	-	-	114,117	135,829
	<u>\$2,882,438</u>	<u>\$ (2,640)</u>	<u>\$6,369,514</u>	<u>\$7,012,810</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2022

With Comparative Totals for the year ended June 30, 2021

	<u>Supporting Services</u>	
	<u>Investment Rental</u>	<u>2021 Total</u>
Salaries and wages	\$ -	\$ -
Payroll taxes	-	-
Total salaries and related expenses	-	-
Advertising	-	-
Bad debts	-	-
Central office overhead	62,285	2,860
Consultants	217	310
Contract services	-	-
Dues and subscriptions	-	-
Employee benefits	-	-
Fundraising	-	-
Habilitative services	-	-
Insurance	87,189	20,132
Licenses	-	-
Medicaid provider fees	-	-
Medicaid provider relief fund	-	26,438
Medical	-	-
Miscellaneous	1,070	15,118
Office expense	-	-
Paycheck Protection Program Forgiveness	-	30,048
Professional services	-	858
Recreation expense	-	-
Rent	800	1,232
Repairs and maintenance	8,982	18,818
Seminars	-	-
Supplies	4,491	1,354
Telephone	-	-
Transportation	1,114	24,595
Travel	-	-
Utilities	20,201	-
Total expenses before depreciation expense	186,349	141,763
Depreciation expense	126,407	126,257
	<u>\$ 312,756</u>	<u>\$ 268,020</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Cash Flows

Year Ended June 30, 2022

With Comparative Totals as of June 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (725,480)	\$ 378,826
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	287,834	319,343
(Gain) loss on sale of fixed assets	47,319	(20,327)
(Gain) loss on sale of investments	21,496	47,250
Unrealized gain of investments	202,167	(134,035)
(Increase) decrease in:		
Accounts receivable	(198,731)	(294,268)
Accrued interest receivable	3,031	4,033
Inventory	11,613	(9,864)
Deposits and prepaids	26,039	774
Increase (decrease) in:		
Accounts payable - trade	(46,690)	(150,274)
Accrued salaries	(15,496)	33,073
Payroll taxes payable	(896)	(4,550)
Deferred revenue	(52,809)	321,762
Accrued expenses-other	16,890	(24,233)
NET CASH FROM OPERATING ACTIVITIES	<u>(423,713)</u>	<u>467,510</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of investments	1,912,416	1,709,503
Purchase of investments	(2,098,027)	(1,640,112)
Proceeds from receipt of principal	18,665	18,950
Proceeds from sale of fixed assets	177,500	76,524
Purchases of fixed assets and construction in progress	(238,639)	-
NET CASH FROM INVESTING ACTIVITIES	<u>(228,085)</u>	<u>164,865</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(651,798)	632,375
CASH AND CASH EQUIVALENTS JUNE 30, 2021	<u>3,524,564</u>	<u>2,892,189</u>
CASH AND CASH EQUIVALENTS JUNE 30, 2022	<u><u>\$2,872,766</u></u>	<u><u>\$3,524,564</u></u>
SUPPLEMENTAL DATA FOR NON CASH INVESTING ACTIVITIES:		
Paycheck Protection Program Forgiveness Payment received	<u>\$ -</u>	<u>\$ 848,912</u>
Medicaid Provider Relief Funds received	<u>\$ -</u>	<u>\$ 746,945</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CARC, INC. is presented to assist in understanding CARC, INC.'s financial statements. The financial statements and notes are representations of CARC, INC.'s management, who is responsible for their integrity and objectivity.

On October 31, 2012, the Company changed its legal name from Calcasieu Association for Retarded Citizens, Inc. to CARC, INC.

Nature of Activities

CARC, INC. was organized under Section 501 (c) (3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing the following services to mentally and physically handicapped persons (clients) in Southwest Louisiana:

Work Activity - Clients provide services to area businesses on a contract basis and produce various merchandise for resale to the public.

Adult Habilitation - Adults are taught day to day living skills and work opportunities.

Residential Services - The Association maintains six community homes which house six clients each on a "round the clock" supervised basis.

Respite Services - The Association provides sitters for parents and guardians of clients.

The majority of the funding for the above programs is provided by Medicaid and the State offices of the Louisiana Department of Health and Hospitals. Without this funding, the Association would be forced to find alternative funding sources in order to maintain operations.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. CARC, INC. is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all cash and investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments consist of Mutual Funds investing in debt and equity securities and stocks and Certificate of Deposits with a cost of \$1,336,040 which do not meet the Association's definition of cash equivalents. The investments are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. All highly liquid debt instruments with an original maturity of three months or less from date of purchase are considered cash equivalents. Amortization of premiums and discounts are recognized as income using the level yield method. Accumulated unrealized appreciation (depreciation) in assets classified as investments at June 30, 2022 was \$9,924.

The Organization has reported their investments, with a remaining maturity at time of purchase of one year or less, at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at June 30, 2022. Fair value was determined by obtaining "quoted" year-end market prices.

Property, Plant, and Equipment

The Association follows the practice of recording assets at cost or estimated fair value of donated assets at date of donation. All assets with estimated useful lives in excess of one year and \$5,000 are capitalized. Depreciation is provided on the straight-line method at rates calculated to allocate the recorded amounts over the estimated useful lives of the assets, ranging from 3 to 50 years. Depreciation and amortization amounted to \$287,834, of which \$47,310 is included in central office overhead expense in the accompanying statement of functional expenses.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

Direct costs are charged directly to the grants and programs in which the expense is incurred, or they are allocated to the grants and programs based on the proportion of benefit resulting from the particular expenditure. All other costs not identifiable as direct charges are regarded as "central office overhead" and accumulated in a pool. This pool is distributed monthly to the grants and programs based on the proportion of each grant's/program's direct costs to total direct costs, computed on a monthly basis.

Eliminations

For report purposes, all significant inter-departmental accounts and transactions have been eliminated.

Income Taxes

The Association is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and generally is not subject to income taxes according to the provisions of Federal and Louisiana State income tax laws and regulations. In addition, CARC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the code.

Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the organization's program services.

Designated Net Assets

At its discretion, the Board may designate revenue for specific purposes. Any Board-designated funds would be segregated under the unrestricted net assets.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out method of accounting.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$55,793.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue and Support

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Restricted Net Assets

There are currently no restrictions on Net Assets.

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 restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

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

Prior year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through June 12, 2024, the date the financial statements were available to be issued.

On August 27, 2020, Hurricane Laura made landfall in Southwest Louisiana. On October 9, 2020, Hurricane Delta made landfall in Southwest Louisiana. As a result, there were significant damages across the region. During Hurricanes Laura and Delta, all of CARC's 46 properties/buildings were extensively damaged and needed major repairs. CARC, INC. struggled to get the needed insurance proceeds from claims filed to repair the damage from the hurricanes. Deferred revenue of \$268,953 as of June 30, 2022 includes insurance proceeds received, book value of properties to be demolished, less hurricane repairs made through June 30, 2022. CARC received \$6,216,264 in insurance proceeds as of June 30, 2022, \$7,179,625 through the current date. CARC has paid out hurricane repair expenses in excess of insurance proceeds received through the current date and expects to spend about \$150,000 more to complete the total restoration.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2022, cash and cash equivalents consisted of the following:

Operating accounts, net of outstanding items	\$ 1,358,665
Money market accounts	<u>1,514,101</u>
	<u>\$ 2,872,766</u>

At June 30, 2022, the carrying amount of the accounts was \$2,872,766 and the bank balance was \$2,894,100 of which \$308,555 is secured from risk by federal depository insurance, and the \$2,585,454 balance is unsecured. In addition, a significant risk of loss existed at June 30, 2022 with regard to the monies invested in money market accounts and investments because those funds are not insured against market risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable amounts in the accompanying statement of financial position are reported net of \$0 in allowance for doubtful accounts.

NOTE D - MEDICAID PROVIDER FEE

The Association's residential services program is required, under Louisiana R.S. 46:2601-2605, to pay to the Department of Health and Hospitals a fee per patient day for each bed which is in use or reserved for a patient. The total of such fees for the year ended June 30, 2022 is \$190,150.



CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE E - LONG TERM NOTE RECEIVABLE

Louisiana Disabled Persons Finance Corporation (LADPFC):  
First Mortgage note; secured by a mortgage lien,  
payable in monthly installments of principle and interest  
of \$3,751 (interest at 6.25% per annum), maturity at February 2036.

\$ 411,416

Less current maturities

18,163

Long-term note receivable, net of current portion

\$ 393,253

In February of 2006, Louisiana Disabled Persons Finance Corporation paid in full a loan to U.S. Department of Housing and Urban Development. The funding to pay the loan balance was derived from CARC, INC. Interest rate on CARC, INC.'s thirty-year mortgage is to be fixed for five years at 6.25% and terms are to be reviewed every five years. The Association has signed a use agreement with HUD to abide by HUD regulations, as they apply to this project, and the continued Section 8 contract.

NOTE F - RETIREMENT PLAN

Effective September 1, 1997, a retirement savings plan and trust for the benefit of eligible employees was adopted. The plan covers substantially all of the employees, with the exception of client employees, of CARC, INC. who have attained the age of 21 and completed one year of service (at least 1,000 hours of service in a plan year). The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each participant may elect to have Compensation deferred by up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415. The maximum annual amount that an employee could contribute as an elective deferral for calendar year 2022 was \$20,500 per year. For the year ended June 30, 2022, salary deferrals by eligible participants totaled \$47,791. The employer may make a matching contribution to each participant based on the participant's elective deferrals in a percentage set by the employer prior to the end of each plan year. For the year ended June 30, 2022, the Board of Directors adopted an employer contribution of 50% of the first 3% that an employee contributes. Additional amounts may be contributed at the option of the Board of Directors. For the year ended June 30, 2022, the employer match totaled \$14,129.

NOTE G – RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE H - RELATED PARTY TRANSACTIONS

Included in accounts receivable-other at June 30, 2022 and June 30, 2021 are operating advances to Louisiana Disabled Persons Finance Corporation (LDPFC) of \$286,369 and \$154,863, respectively, to Louie Street Apartments, Inc. of \$(48,582) and \$148,401, respectively, and to Stroud Manor, Inc. of \$3,112 and \$1,979, respectively, affiliated non-profit organizations under common board of directors. In addition, LDPFC paid \$7,200 and \$5,865, Louie Street Apartments, Inc. paid \$6,450 and \$2,361, and Stroud Manor, Inc. paid \$3,172 and \$2,718 in management fees to CARC, INC. for the years ended June 30, 2022 and June 30, 2021, respectively. CARC also charged, for the years ended June 30, 2022 and June 30, 2021, respectively, to LDPFC \$5,782 and \$6,594, Louie Street Apartments, Inc. \$6,474 and \$6,431, and Stroud Manor, Inc. \$3,901 and \$3,756, for services provided to these entities such as lawn care, other maintenance, janitorial, and vehicle usage. Also, see Note E for a loan between LADPFC and CARC, INC. Summarized financial data of LDPFC, Louie Street Apartments, Inc., and Stroud Manor, Inc., as of and for the years ended:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
	<u>Louisiana Disabled Person Finance Corporation</u>	
Total Assets	\$ 283,534	\$ 190,401
Total Liabilities	<u>710,230</u>	<u>590,801</u>
Net Assets (deficit)	<u>\$ (426,696)</u>	<u>\$ (400,400)</u>
Total Revenue	\$ 150,647	\$ 107,680
Total Expenses	<u>176,973</u>	<u>126,028</u>
Change in Net Assets	<u>\$ (26,326)</u>	<u>\$ (18,348)</u>
	<u>Louie Street Apartments, Inc.</u>	
Total Assets	\$ 1,459,875	\$ 1,638,945
Total Liabilities	<u>1,396,772</u>	<u>1,519,225</u>
Net Assets (deficit)	<u>\$ 63,103</u>	<u>\$ 119,720</u>
Total Revenue	\$ 152,284	\$ 55,338
Total Expenses	<u>208,901</u>	<u>141,623</u>
Change in Net Assets	<u>\$ (56,617)</u>	<u>\$ (86,285)</u>
	<u>Stroud Manor, Inc.</u>	
Total Assets	\$ 1,083,042	\$ 1,114,740
Total Liabilities	<u>1,063,732</u>	<u>1,054,079</u>
Net Assets (deficit)	<u>\$ 19,310</u>	<u>\$ 60,661</u>
Total Revenue	\$ 69,763	\$ 59,483
Total Expenses	<u>111,114</u>	<u>84,062</u>
Change in Net Assets	<u>\$ (41,351)</u>	<u>\$ (24,579)</u>

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE I – INVESTMENTS

As of June 30, 2022, CARC, INC. had its assets in money market instruments, U.S. Treasury notes, U.S. agency securities, stocks and municipal bonds managed by financial institutions. The accounts managed by the financial institutions have a fair value of \$1,345,963 as of June 30, 2022. CARC, INC.'s investments are as follows:

Type of Debt Investment	Fair Value	Maturity			Credit Rating (Standards and Poor's)
		Less than 1 Year	1 to 5 Years	6 to 10 Years	
<b>Investments at fair value</b>					
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	N/A
Subtotal	-	-	-	-	
<b>Investments measured at the net asset value (NAV)</b>					
U. S. Treasury notes	345,555	29,758	255,656	60,141	AAA
Government bonds	79,908	-	-	79,908	unrated
Corporate bonds	186,202	-	63,473	122,729	A1-BAA2
Equities	564,476	564,476	-	-	A1-BAA3
Mutual funds	169,822	169,822	-	-	unrated
Total investments measured at NAV	1,345,963	764,056	319,129	262,778	
Total Investments	\$ 1,345,963	\$ 764,056	\$ 319,129	\$ 262,778	

CARC, INC. categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CARC, INC. has the following recurring fair value measurements as of June 30, 2022:

*Level 1 inputs* - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date have a value of \$920,500.

*Level 2 inputs* - U.S. Treasury securities, government agency securities, and municipal securities totaling \$425,463 are valued using market-based approach comprised of a combination of directly observable quoted prices and matrix pricing technique that relies on the securities' relationship to other benchmark quoted securities.

Interest rate risk: CARC, INC.'s policy on investments states that safety of principle is the foremost objective, followed by liquidity and yield. Each investment transaction shall seek to first insure that capital losses are avoided no matter the sources.

Concentration of Credit Risk: CARC, INC.'s investment portfolio had concentration of credit risk on June 30, 2022 due to the holdings of securities issued by the following U.S. agency securities and stocks. CARC, INC.'s investment portfolio consisted of 26% U.S. Treasury notes, 6% Government Bonds, 14% Corporate bonds, 42% Equities, and 12% Mutual funds. CARC, INC.'s policy does not address concentration risk.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE I – INVESTMENTS - CONTINUED

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE J – OPERATING LEASES

The Association leases three retail store spaces for its Treasure Chest stores and one facility for additional administrative space until the new building is complete. The Lake Charles store has a base monthly rental amount of \$6,630. This lease expires March 2022, and renewed for \$6,718 per month which expires August 2025. Lease expense amounted to \$76,320 for the year ended June 30, 2022. Minimum lease payments on long-term operating leases by year, and in aggregate, are as follows:

<u>Year ended</u>	
June 30, 2023	\$ 79,900
June 30, 2024	80,616
June 30, 2025	53,744
June 30, 2026	13,436

The Association is the lessor of multiple rental properties under operating leases. The lease agreements stipulate month-to-month leases for \$4,585 per month total. Following is a summary of the properties leased at June 30, 2022:

Homes	\$ 931,928
Less: accumulated depreciation	<u>(351,485)</u>
	580,443
Land	<u>169,977</u>
	<u>\$ 750,042</u>

NOTE K – LIQUIDITY

At June 30, 2022, the Association has \$5,314,475 available to meet needs for general expenditures consisting of cash of \$2,872,766, accounts receivable of \$1,094,746 and investments of \$1,346,963. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Association are expected to be met on a monthly basis from grant income. In general, the Association maintains sufficient financial assets on hand to meet thirty days' worth of normal operating expenses.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE L - CENTRAL OFFICE OVERHEAD

Included in central office overhead expense in the accompanying Statement of Functional Expenses are the following natural expense categories:

Salaries and wages	\$ 761,375
Payroll taxes	<u>56,605</u>
Total salary and related expenses	817,980
Advertising	55,793
Bad debt	-
Contract services	48,738
Dues and subscriptions	5,915
Employee benefits	65,557
Insurance	127,306
Licenses	2,240
Medical	427
Miscellaneous	7,726
Office expense	5,396
Professional services	47,110
Rent	6,636
Repairs and maintenance	43,432
Seminars	868
Supplies	63,346
Telephone	11,089
Transportation	18,848
Travel	-
Utilities	<u>20,432</u>
Total expenses before depreciation expense	1,348,839
Depreciation expense	<u>47,310</u>
Total central office overhead	<u>\$ 1,396,149</u>

NOTE M – CONCENTRATION OF RISK

The Association is located in the Southwest Louisiana and performs most of its services in this area. The Association receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

CARC, INC.

Notes to Financial Statements

June 30, 2022

NOTE N – SELF-INSURANCE

All CARC, INC. employees have an option to participate in the Association's self-funded, comprehensive medical care benefits program. The cost of medical care paid out of employee and employer contributions and is held in a separate bank account. The Association has contracted with a third-party administrator to provide administrative services for this health care benefits program. As of June 30, 2022, cash of \$17,931 was in the account.

CARC, INC. employees are covered by a self-insured state unemployment benefits program through Unemployment Services Trust (UST). The cost paid by CARC, INC. for the fiscal year ended June 30, 2022 was \$8,313. CARC, INC. has contracted with the third-party administrator to provide administrating services for the unemployment benefits program. As of June 30, 2022, cash of \$48,227 was maintained by the third party.

SUPPLEMENTARY INFORMATION

CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized

Year Ended June 30, 2022

	<u>Investment rental</u>	<u>Work Activity</u>	<u>Adult Habilitation</u>	<u>Residential Services</u>
Public support and revenue				
Federal, state and local grants/contracts	\$ -	\$ -	\$ -	\$ -
Medicaid	-	-	88,243	1,839,918
Contributions	2,784	429,140	-	-
Total public support	<u>2,784</u>	<u>429,140</u>	<u>88,243</u>	<u>1,839,918</u>
Revenue				
Membership dues	9,490	-	-	-
Other program fees	16,862	-	2,640	376,911
Auxiliary activities	-	81,587	-	-
Investment income (loss)	(141,040)	-	-	-
Gain (loss) on disposal of assets	(31,064)	(16,255)	-	-
Rental	53,406	-	-	-
Other income	(42)	56,933	-	-
Total revenue	<u>(92,388)</u>	<u>122,265</u>	<u>2,640</u>	<u>376,911</u>
Total public support and revenue	(89,604)	551,405	90,883	2,216,829
Expenses and losses				
Program services	-	626,715	467,254	2,395,747
Supporting services				
Management and general	312,756	-	-	-
Total expenses and losses	<u>312,756</u>	<u>626,715</u>	<u>467,254</u>	<u>2,395,747</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ (402,360)</u>	<u>\$ (75,310)</u>	<u>\$ (376,371)</u>	<u>\$ (178,918)</u>

See independent accountants' report



CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized (continued)

Year Ended June 30, 2022

	<u>Respite</u>	<u>Eliminations</u>	<u>Total</u>
Public support and revenue			
Federal, state and local grants/contracts	\$ 16,956	\$ -	\$ 16,956
Medicaid	3,172,961	-	5,101,122
Contributions	-	-	431,924
Total public support	<u>3,189,917</u>	<u>-</u>	<u>5,550,002</u>
Revenue			
Membership dues	-	-	9,490
Other program fees	-	(2,640)	393,773
Auxiliary activities	-	-	81,587
Investment income (loss)	-	-	(141,040)
Gain (loss) on disposal of assets	-	-	(47,319)
Rental	-	-	53,406
Other income	-	-	56,891
Total revenue	<u>-</u>	<u>(2,640)</u>	<u>406,788</u>
Total public support and revenue	3,189,917	(2,640)	5,956,790
Expenses and losses			
Program services	2,882,438	(2,640)	6,369,514
Supporting services			
Management and general	-	-	312,756
Total expenses and losses	<u>2,882,438</u>	<u>(2,640)</u>	<u>6,682,270</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ 307,479</u>	<u>\$ -</u>	<u>\$ (725,480)</u>

See independent accountants' report

CARC, INC.

Schedule of Functional Expenses

Year Ended June 30, 2022

Salaries and wages	\$ 4,093,709
Payroll taxes	314,016
Total salaries and related expenses	<u>4,407,725</u>
Advertising	55,793
Bad debts	-
Consultants	47,836
Contract services	86,632
Dues and subscriptions	6,101
Employee benefits	137,254
Fundraising	-
Insurance	664,867
Licenses	6,816
Medicaid provider fees	190,150
Medical	8,470
Miscellaneous	23,898
Office expense	5,396
Professional services	47,110
Recreation expense	-
Rent	113,456
Repairs and maintenance	120,952
Seminars	868
Supplies	278,912
Telephone	28,628
Transportation	64,552
Travel	6,495
Utilities	<u>92,525</u>
Total expenses before depreciation expense	6,394,436
Depreciation expense	<u>287,834</u>
	<u><u>\$ 6,682,270</u></u>

See independent accountants' report

## OTHER INFORMATION

CARC, INC.

Schedule of Compensation, Benefits and Other  
Payments to Chief Executive Officer

Year Ended June 30, 2022

Chief Executive Officer: Libby Leone, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 81,743
Benefits - insurance	5,932
Benefits - retirement	1,598
Benefits - cell phone	-
Mileage	-
Vehicle provided by government	-
Per diem	-
Reimbursements	46
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meal reimbursements	-
Dues	-

CARC, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2022

I. Findings Relating To The Financial Statements Which Are Required To Be Reported In Accordance With Generally Accepted Governmental Auditing Standards

**Finding 2022-001: Late Submission of Financial Statements**

Condition: The Association's June 30, 2022 financial statements were not timely submitted to the Legislative Auditor. The due date was December 31, 2022.

Criteria: The Association's June 30, 2022 financial statements are required to be submitted to the Legislative Auditor within six months of the year end.

Cause: The financial information was not complete and accurate at the due date. This included requested information and supporting documentation not available to the auditor on a timely basis.

Effect: The Association's June 30, 2022 financial statements were not timely submitted to the Legislative Auditor as required by state law.

Recommendation: Management should ensure that all accounting functions are completed timely and financial statements are submitted within the required time period.

Management Response: Management agrees with the finding. Steps have been taken to ensure future compliance.

II. Prior Year Findings

**Finding 2021-001: Late Submission of Financial Statements**

The December 31, 2021 financial statements were not filed with the Legislative Auditor within the due date of December 31, 2021, in violation of R.S. 24:514.