

THE ARC OF GREATER NEW ORLEANS

FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017



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THE ARC OF GREATER NEW ORLEANS
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Report



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of Greater New Orleans
Metairie, Louisiana

We have audited the accompanying financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

December 28, 2018



Financial Statements

**THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION**

<i>As of June 30,</i>	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,378	\$ 54,678
Accounts receivable	805,204	956,807
Inventory	6,108	-
Prepaid expenses	55,993	48,485
Restricted trust fund	19,722	72,567
Other current assets	2,152	11,685
Total Current Assets	924,557	1,144,222
PROPERTY AND EQUIPMENT, net	1,604,588	1,485,406
TOTAL ASSETS	\$ 2,529,145	\$ 2,629,628
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 395,901	\$ 397,949
Compensated absences	89,096	100,013
Line of credit	150,000	300,000
Deferred revenue	10,000	10,000
Current maturities of long-term debt	56,210	79,268
Total Current Liabilities	701,207	887,230
LONG-TERM DEBT, net of current maturities	662,607	476,405
TOTAL LIABILITIES	1,363,814	1,363,635
NET ASSETS		
Unrestricted	1,165,331	1,265,993
TOTAL NET ASSETS	1,165,331	1,265,993
TOTAL LIABILITIES AND NET ASSETS	\$ 2,529,145	\$ 2,629,628

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

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2018

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Federal grant income	\$ 75,000	\$ -	\$ 75,000
Contributions	496,263	-	496,263
United Way Allocations	38,545	-	38,545
Client fees	916,260	-	916,260
Medicaid	5,784,480	-	5,784,480
Group home	235,376	-	235,376
Other income	188,575	-	188,575
Total Support and Revenue	7,734,499	-	7,734,499
EXPENSES			
Program services			
Employment services	171,122	-	171,122
Individual options	1,668,265	-	1,668,265
Project H.E.L.P.	3,162,888	-	3,162,888
Operations department	1,645,482	-	1,645,482
Family service coordination	239,485	-	239,485
Supporting services			
Management and general	908,150	-	908,150
Payments to affiliates	16,696	-	16,696
Fundraising	23,073	-	23,073
Total Expenses	7,835,161	-	7,835,161
CHANGES IN NET ASSETS	(100,662)	-	(100,662)
NET ASSETS - Beginning of year	1,265,993	-	1,265,993
NET ASSETS - End of year	\$ 1,165,331	\$ -	\$ 1,165,331

The accompanying notes are an integral part of this financial statement.

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES

For the Year Ended June 30,

2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Federal grant income	\$ 199,998	\$ -	\$ 199,998
Contributions	641,643	-	641,643
United Way allocations	59,089	-	59,089
Client fees	813,997	-	813,997
Medicaid	5,653,411	-	5,653,411
Group home	232,266	-	232,266
Other income	18,680	-	18,680
Total Support and Revenues	7,619,084	-	7,619,084
EXPENSES			
Program services			
Employment services	160,716	-	160,716
Individual options	1,719,390	-	1,719,390
Project H.E.L.P.	2,944,201	-	2,944,201
Operations department	1,718,493	-	1,718,493
Family service coordination	191,264	-	191,264
Supporting services			
Management and general	918,749	-	918,749
Payments to affiliates	16,800	-	16,800
Fundraising	47,694	-	47,694
Total Expenses	7,717,307	-	7,717,307
CHANGES IN NET ASSETS	(98,223)	-	(98,223)
NET ASSETS - Beginning of year	1,364,216	-	1,364,216
NET ASSETS - End of year	\$ 1,265,993	\$ -	\$ 1,265,993

The accompanying notes are an integral part of this financial statement.

**THE ARC OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30,

2018

	Program Services					Supporting Services			Total
	Employment Services	Individual Options	Project H.E.L.P.	Arc Enterprises	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	
Salaries	\$ 117,481	\$ 826,932	\$ 2,596,982	\$ 887,191	\$ 160,772	\$ 517,327	\$ -	\$ 5,834	\$ 5,112,519
Benefits	7,620	50,554	180,873	90,727	12,967	39,882	-	-	382,623
Payroll taxes	8,925	62,112	199,463	76,657	11,839	36,894	-	-	395,890
Professional services	5,739	22,509	35,075	16,050	7,051	76,124	-	6,500	169,048
Supplies	236	2,666	2,972	6,995	975	14,671	-	5,746	34,261
Advertising	79	12,969	813	495	56	16,576	-	-	30,988
Telephone	3,540	12,145	16,507	12,027	5,482	10,616	-	-	60,317
Postage	65	1,549	472	75	754	1,750	-	21	4,686
Occupancy	12,921	255,693	45,141	227,582	22,965	58,753	-	-	623,055
Repairs and maintenance	5,407	101,176	8,965	69,542	6,480	29,176	-	513	221,259
Local transportation	4,346	176,334	38,464	161,817	8,463	14,491	-	77	403,992
Travel, conferences, and training	1,291	5,316	35,882	8,883	1,480	890	-	-	53,742
Printing and publications	37	550	-	-	-	197	-	-	784
Membership dues	-	100	-	-	-	3,544	-	-	3,644
Other expenses	3,236	77,182	1,279	5,841	201	38,622	-	4,382	130,743
Payments to affiliates	-	-	-	-	-	-	16,696	-	16,696
Interest	-	-	-	9,953	-	35,692	-	-	45,645
Depreciation	199	60,478	-	71,647	-	12,945	-	-	145,269
	\$ 171,122	\$ 1,668,265	\$ 3,162,888	\$ 1,645,482	\$ 239,485	\$ 908,150	\$ 16,696	\$ 23,073	\$ 7,835,161

The accompanying notes are an integral part of this financial statement.

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30,

2017

	Program Services					Supporting Services			Total
	Employment Services	Individual Options	Project H.E.L.P.	Arc Enterprises	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	
Salaries	\$ 110,068	\$ 861,801	\$ 2,415,284	\$ 925,084	\$ 122,513	\$ 532,133	\$ -	\$ 15,265	\$ 4,982,148
Benefits	6,966	58,562	187,936	106,669	8,071	50,264	-	-	418,468
Payroll taxes	8,817	66,363	181,516	66,291	8,931	36,515	-	-	368,433
Professional services	5,137	62,262	14,457	13,634	7,183	83,481	-	-	186,154
Supplies	666	4,187	3,424	4,744	1,540	14,523	-	1,131	30,215
Advertising	12	18,493	373	129	17	77	-	-	19,101
Telephone	4,189	16,531	5,784	17,524	4,657	11,554	-	-	60,239
Postage	64	243	725	87	497	1,924	-	-	3,540
Occupancy	9,956	246,866	42,052	249,486	18,577	95,565	-	-	662,502
Repairs and maintenance	3,826	92,617	23,505	64,514	11,399	22,966	-	-	218,827
Local transportation	4,858	188,730	40,210	173,449	7,045	11,775	-	-	426,067
Travel, conferences, and training	1,169	3,804	23,315	5,385	804	1,405	-	-	35,882
Printing and publications	110	123	297	205	-	258	-	-	993
Membership dues	1,875	-	3,750	9,375	-	4,136	-	-	19,136
Other expenses	2,804	20,782	1,573	5,398	30	27,282	-	-	57,869
Payments to affiliates	-	-	-	-	-	-	16,800	31,298	48,098
Interest	-	2,438	-	17,421	-	15,826	-	-	35,685
Depreciation	199	75,588	-	59,098	-	9,065	-	-	143,950
	<u>\$ 160,716</u>	<u>\$ 1,719,390</u>	<u>\$ 2,944,201</u>	<u>\$ 1,718,493</u>	<u>\$ 191,264</u>	<u>\$ 918,749</u>	<u>\$ 16,800</u>	<u>\$ 47,694</u>	<u>\$ 7,717,307</u>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF CASH FLOWS**

<i>For the Years Ended June 30,</i>	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (100,662)	\$ (98,223)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss on disposal of equipment	1,017	5,521
Depreciation	145,269	143,950
Changes in operating assets and liabilities:		
Accounts receivable	151,603	209,619
Inventory	(6,108)	-
Prepaid expenses	(7,508)	(7,916)
Restricted trust fund	52,845	(18,109)
Other current assets	9,533	8,837
Accounts payable and accrued expenses	(2,048)	87,795
Compensated absences	(10,917)	(2,423)
Net Cash Provided By Operating Activities	233,024	329,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(265,468)	(196,069)
Net Cash Used In Investing Activities	(265,468)	(196,069)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	316,164	29,998
Payments on line of credit	(150,000)	(25,000)
Principal payments on long-term debt	(153,020)	(90,481)
Net Cash Provided By (Used In) Financing Activities	13,144	(85,483)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,300)	47,499
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	54,678	7,179
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 35,378	\$ 54,678
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 45,645	\$ 48,098

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

THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Arc of Greater New Orleans (the Organization) was incorporated in July 1953. The Organization is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Family Services Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Arc Enterprises (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a five-parish area (Orleans, Jefferson, Plaquemines, St. Tammany and St. Bernard). The majority of the Organization's revenue is derived from contracts for services with the State of Louisiana, Jefferson Parish, and various private contracts with businesses in the five-parish area.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Financial Accounting Standards Board is the accepted standard setting body for establishing not-for-profit accounting and financial reporting principles.

Basis of Presentation

Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Organization are included in this category. The Organization has determined that any donation with donor-imposed restrictions for current or developing programs and activities that are generally met within the year the donation was received are record as unrestricted.
- Temporarily restricted net assets include realized gains and losses, investment income, and contributions for which donor-imposed restrictions have not been met. For the year ended June 30, 2018 and 2017, there were no temporarily restricted net assets.

THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. For the years ended June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Income Taxes

Under the provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Louisiana, the Organization is exempt from taxes on income other than unrelated business income. The Organization has also been classified as an entity that is not a private foundation in Section 170 (b)(1)(A)(vi). Since the Organization had no net unrelated business income during the years ended June 30, 2018 and 2017, no provision for income tax was made. Management does not believe there are any uncertain tax positions.

Functional Expense Allocation

Functional expenses are allocated among the various program services, management and general, and fundraising categories based on actual use or management's best estimate.

Contributed Services

Various functions of the Organization are conducted by unpaid officers, board members, and volunteers. The Organization recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2018 and 2017, the Organization believes the value of contributed services meeting the requirements for recognition in the financial statements was not material and, therefore, has not recorded an amount for contributed services.

Use of Estimates

The preparation of the Organization's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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.

THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

All receivables at June 30, 2018 and 2017, are considered collectible by management; accordingly, an allowance for doubtful accounts is not considered necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off. For the years ended June 30, 2018 and 2017, management did not write off any outstanding receivables.

Restricted Trust Fund

The Organization has a trust fund set up with the 501(c) Agencies Trust which is used for the payment of any unemployment claims that arise during the year. The Organization has a reimbursable account with the Louisiana Workforce Commission (LWC), so when a claim is made LWC pays the unemployment and the Organization then reimburses the LWC through their trust account with 501(c) Agencies Trust. For the years ended June 30, 2018 and 2017 the amount available in the trust for unemployment claims was \$19,722 and \$72,567, respectively.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000 with a useful life of more than one year. Lesser amounts and amounts for assets with a life less than a year are expensed. Purchased property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and leasehold improvements range from 10 to 31 years; and those of furniture and equipment, and autos, trucks and tractors range from 3 to 10 years.

Restricted and Unrestricted Revenue and Other Support

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Medicare, Medicaid, and group home revenue are reported at the estimated net realizable amounts for services rendered.

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Organization has concentrated its credit risk by maintaining deposits in banks that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, the Organization’s cash deposits did not exceed the FDIC insured limit.

NOTE 3 – COMPENSATED ABSENCES

The Organization’s employees receive from eight to seventeen days of annual paid leave upon completion of an introductory period, depending on employee classification. Annual leave vests with the employee, and, therefore, has been accrued up to a maximum accumulated cap of twenty days per employee. Unpaid compensated absences amounted to \$89,096 and \$100,013 at June 30, 2018 and 2017, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2018	2017
Land	\$ 175,187	\$ 175,187
Buildings	703,237	694,338
Leasehold improvements	1,126,454	1,008,229
Furniture and equipment	416,442	408,750
Autos, trucks, and tractors	1,275,103	1,330,519
Total property and equipment	3,696,423	3,617,022
Less: accumulated depreciation	(2,091,835)	(2,131,616)
Property and equipment, net	\$ 1,604,588	\$ 1,485,406

Depreciation expense was \$145,269 and \$143,950 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit available totaling \$400,000. The unpaid principal balance bears interest at the Prime Rate plus 1.25%, adjusted quarterly, with a floor of 7.25%. Interest payments are due monthly. At June 30, 2018 and 2017, the Organization had an outstanding balance of \$150,000 and \$300,000 on its line of credit respectively. The line of credit is secured by all inventory, goods, and other items of personal property and receivables.

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LINE OF CREDIT (CONTINUED)

Subsequent to year end the Organization sold their Hessmer building and used the proceeds to pay off the balance of the line of credit.

NOTE 6 – LONG-TERM DEBT

The Organization had the following long-term debt:

As of June 30,	2018	2017
4.00% note payable dated June 26, 2006 and refinanced in December 2008, with a maturity date of April 26, 2020, payable to the U.S. Small Business Administration in monthly installments of \$3,463, including interest, secured by real property.	\$ -	\$ 108,961
4.95% note payable, dated February 14, 2014, due February 14, 2034, payable in monthly installments to Gulf Coast Bank of \$2,487, including interest, secured by real property.	323,258	336,516
5.17% note payable, dated October 22, 2014, due January 21, 2021, payable in monthly installments to Chrysler of \$527, including interest, secured by real property.	14,843	20,107
6.24% note payable, dated June 9, 2014, due June 9, 2019, payable in monthly installments to Ford Motor Credit of \$384, including interest, secured by real property.	4,471	8,682
6.84% note payable, dated October 15, 2014, due October 15, 2019, payable in monthly installments to Ford Motor Credit of \$489, including interest, secured by real property.	7,482	12,679
6.79% note payable, dated November 13, 2015, due November 15, 2019, payable in monthly installments to Ford Motor Credit of \$659, including interest, secured by real property.	10,697	17,666
6.79% note payable, dated December 9, 2016, due December 15, 2019, payable in monthly installments to Ford Motor Credit of \$585, including interest, secured by real property.	16,173	21,923
6.94% note payable, dated May 24, 2017, due June 22, 2022, payable in monthly installments to Ford Motor Credit of \$593, including interest, secured by real property.	25,729	29,139
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**THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – LONG-TERM DEBT (CONTINUED)

5.25% note payable, dated January 12, 2018, due January 12, 2038, payable in monthly installments to Gulf Coast Bank and Trust Company of \$2,170, including interest, secured by real property.	316,164	-
Total Debt	718,817	555,673
Current maturities of long-term debt	(56,210)	(79,268)
Long-term debt	\$ 662,607	\$ 476,405

Principal payments for future fiscal years are as follows:

2019	\$ 56,210
2020	49,862
2021	41,517
2022	34,517
2023	29,513
Thereafter	507,198
Total	\$ 718,817

Interest expense on long-term debt for the years ended June 30, 2018 and 2017 was \$45,645 and \$35,685, respectively.

Subsequent to year end the Organization sold their Hessmer building and paid off the related debt of \$316,164.

NOTE 7 – MAJOR SUPPORT

For the years ended June 30, 2018 and 2017, the Organization earned 75% and 69%, respectively, of its support and revenues from Medicaid reimbursement arrangements. The Organization received a fixed rate per encounter for its Medicaid program. Accounts receivable included \$630,670 and \$798,520 from Medicaid reimbursement sources for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, Medicaid receivables account for 79% and 83% of total accounts receivable, respectively.

NOTE 8 – DEEP WATER HORIZON ECONOMIC CLAIM SETTLEMENT

During, 2018, the Organization executed a settlement agreement with The Deepwater Horizon Economic Claims Center (DHECC) resulting from litigation in United States Federal Court related to an oil spill in the Gulf of Mexico that resulted from the explosion of an offshore oil platform on April 20, 2010.



THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 8 – DEEP WATER HORIZON ECONOMIC CLAIM SETTLEMENT

The settlement agreement is a full and final settlement with respect to named British Petroleum (BP) corporate entities and other entities. The Organization received net settlement proceeds of \$188,501 during 2018.

NOTE 9 – RENT-FREE USE OF FACILITIES

During 2018 and 2017, the Organization was furnished free use of facilities at four locations from unrelated parties. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of a public education facility. The aggregate fair market value of the use of these facilities is approximately \$30,235 per month. These amounts are recorded as contributions in support and revenues in the statements of activities and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to \$362,828 and \$365,573 for the years ended June 30, 2018 and 2017, respectively. The commitments for the use of these facilities expire at various times through 2030. The Organization has made cumulative improvements to the buildings, which amount to approximately \$1,126,454 and are depreciating those improvements over the shorter of the economic life of improvements or the lease agreement.

NOTE 10 – ECONOMIC DEPENDENCY

The Organization receives federal and state funding on a per diem per client/unit basis as well as state and parish grants on a per diem basis. If significant budget cuts are made at the state and/or local levels, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

NOTE 11 – PAYMENTS TO AFFILIATES

The Organization paid \$16,696 and \$16,800 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2018 and 2017, respectively for annual dues.

NOTE 12 – RETIREMENT PLAN

Effective July 1, 1999, the Organization adopted a 401(k) retirement plan that covers most of its employees. The Organization matches 50% of employee salary contributions up to 6% of compensation. Matching contributions amounted to \$32,929 and \$29,931 for the years ended June 30, 2018 and 2017, respectively and is included in the benefits column on the statement of functional expense.



THE ARC OF GREATER NEW ORLEANS NOTES TO FINANCIAL STATEMENTS

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 28, 2018 and determined that, except as noted in Note 5 and 6, there are no events that have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



Supplementary Information

THE ARC OF GREATER NEW ORLEANS

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

Agency Head Name: Stephen Sauer, Executive Director

For the Year Ended June 30, **2018**

<i>Purpose</i>	<i>Amount</i>
Salary	\$ -
Benefits-health insurance	-
Benefits-retirement	-
Deferred compensation	-
Workers comp	-
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-FICA & Medicare	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings & conventions	-
Other	-
Total	\$ -

*There were no payments for the benefit of the Executive Director that were derived from public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that the Organization receives.



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

To the Board of Directors of
The Arc of Greater New Orleans
Metairie, 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 Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. 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 preceding paragraph 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

Caru, Riggs & Ingram, L.L.C.

December 28, 2018



**THE ARC OF GREATER NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I - SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The Arc of Greater New Orleans (the Organization) (a nonprofit organization),
2. No instances of noncompliance material to the financial statements of the Organization were disclosed and identified during the audit.
3. No instances of noncompliance with laws, rules, and regulations that were disclosed and identified during the audit.

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

No findings noted.

SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

No findings noted.



**THE ARC OF GREATER NEW ORLEANS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENTS FINDINGS

None noted.

SECTION III – COMPLIANCE FINDINGS

None noted.

The ARC of Greater New Orleans
STATEWIDE AGREED-UPON PROCEDURES REPORT

June 30, 2018



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CPAs and Advisors

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
The Arc of Greater New Orleans
Louisiana Legislative Auditor
Metairie, LA

We have performed the procedures enumerated below, which were agreed to by The ARC of Greater New Orleans (the Organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Organization's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain the Organization's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions:

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

Results: No exceptions were found as a result of applying the above procedure.

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

Results: The policy does not include procedures on (2) how vendors are added to the vendor list.

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

Results: No exceptions were found as a result of applying the above procedure.

- d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

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

Results: The policy does not include the (2) standard terms and conditions acceptable in contracts, (3) legal review of the contracts, (4) appropriate approval process or (5) the process to monitor the compliance with the contracts.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board minutes for the fiscal period, as well as the board's Policy Manual for Organization and Operation for the Board in effect during the fiscal period, and:

- a) Observe that the board met with a quorum at least monthly, or on a frequency in accordance with the board's Policy Manual for Organization and Operation for the Board.

Results: The Board only met eleven (11) times during the fiscal period with a quorum.

- b) Observe that the minutes reference or include financial activity relating to public.

Results: No exceptions were found as a result of applying the above procedure.

Bank Reconciliations

3. Obtain a listing of Organization bank accounts from management and management's representation that the listing is complete. Asked management to identify the Organization's main operating account. Select the Organization's main operating account and randomly selected 4 additional accounts. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each account, and observe that:

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date;

Results: Bank reconciliations do not include evidence that they were prepared within 2 months of the statement.

b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledger, or issue checks, has reviewed each bank reconciliation; and

Results: There is no formal review on any of the bank reconciliations.

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

Results: 3 of the 5 bank reconciliations contain reconciling items greater than 12 months that had no documentation of research.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

4. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. There is only one location for testing

Results: No exceptions were found as a result of applying the above procedure.

5. For the location selected under #4 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties, and observed that job duties are properly segregated such that:

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

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

- c) The employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the above procedure.

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

Results: CRI notes that the employee responsible for mailing out checks is the same employee who processes checks

- 6. For each selection #4 above, obtain the Organization's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for the location, obtain supporting documentation for each transaction and:

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

Results: No exceptions were found as a result of applying the above procedure.

- b) Observe that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the above procedure.

Credit Cards

7. Obtain from management a listing of all active credit cards including the card numbers and the names of the persons who maintained possession of the cards.

Results: No exceptions were found as a result of applying the above procedure

8. Using the listing prepared by management, randomly selected 5 cards that were used during the fiscal period. Randomly select one monthly statement or combine statement for each card, obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) observe review and approval, in writing, by someone other than the authorized card holder.

Results: No exceptions were found as a result of applying the above procedure.

- b) Observe that there were no finance charges and late fees on each selection.

Results: No exceptions were found as a result of applying the above procedure.

9. Using the monthly statements or combined statements selected under #8 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals.

Results: No exceptions were found as a result of applying the above procedure.

Contracts

10. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly selected 5 contracts from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law, if required by law.

Results: No exceptions were found as a result of applying the above procedure.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law

Results: No exceptions were found as a result of applying the above procedure.

- c) If the contract was amended, observe that the original contract terms provided for such an amendment.

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

Payroll and Personnel

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

- 12. Randomly select one pay period during the fiscal period. For the 5 employees selected under #11 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selections document their daily attendance and leave

Results: No exceptions were found as a result of applying the above procedure.

- b) Observe that supervisors approve the attendance and leave of the selections.

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

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

Results: No exceptions were found as a result of applying the above procedure.

Other

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

Results: No exceptions were found as a result of applying the above procedure.

16. Observe and report whether the Organization posts, on its premises and website, the notice required by R.S. 24:523.1.

Results: ARC does not have the required notice on their premises or website.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Cary Riggs & Ingram, L.L.C.

December 28, 2018



December 28, 2018

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to Statewide Agreed-Upon Procedures
The Arc of Greater New Orleans

Dear Sirs:

The Arc of Greater New Orleans will review policies and procedures in regard to the comments for each financial function and make appropriate changes that will improve operations and internal controls in each area that are cost effective and within our budget constraints.

Sincerely,

Stephen Sauer
Executive Director