

*The Arc Rapides, Inc.
and Subsidiary*

Alexandria, Louisiana

June 30, 2026

The Arc Rapides, Inc. and Subsidiary

June 30, 2026

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Accountant's Compilation Report

To the Board of Directors
The Arc Rapides, Inc.
Alexandria, Louisiana

Management is responsible for the accompanying consolidated financial statements of The Arc Rapides, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2026, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Supplementary Information

The supplementary information included in the Schedule of Compensation, Benefits, and Other Payments to the Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

September 23, 2026

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The Arc Rapides, Inc. and Subsidiary
Consolidated Statement of Financial Position
June 30, 2026

Exhibit A

Assets	
Cash and cash equivalents	\$ 1,535,508
Certificates of deposit	403,090
Grants and accounts receivable, net	177,389
Investments	499,744
Prepaid expenses	45,244
Property, plant, and equipment, net	1,684,418
Right-of-use assets for operating leases	95,683
Total Assets	\$ 4,441,076
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 29,821
Accrued liabilities	83,865
Compensated absences	30,882
Lease liabilities for operating leases - current	44,846
Lease liabilities for operating leases	50,837
Total Liabilities	240,251
 Net Assets	
Without donor restrictions	4,200,825
With donor restrictions	-
Total Net Assets	4,200,825
Total Liabilities and Net Assets	\$ 4,441,076

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

The Arc Rapides, Inc. and Subsidiary
Consolidated Statement of Activities
Year Ended June 30, 2026

Exhibit B

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses), and Other Support			
Program service fees			
Production and service contracts	\$ 123,971	\$ -	\$ 123,971
Food service	47,707	-	47,707
LA/DHH HCBS	3,566,853	-	3,566,853
LA/WC LRS	59,113	-	59,113
Contributions of cash and other financial assets	34,341	-	34,341
Contributions of nonfinancial assets	394,618	-	394,618
Thrift store sales, net of returns	259,409	-	259,409
Membership dues	725	-	725
Investment earnings			
Interest income	22,962	-	22,962
Dividend income	85,416	-	85,416
Employee Retention Credit revenue	800,799	-	800,799
Miscellaneous revenue	25,104	-	25,104
Gain (loss) on sale of equipment	4,000	-	4,000
Fundraiser revenue, net	12,786	-	12,786
Net assets released from restrictions	134,183	(134,183)	-
Total Revenues, Gains (Losses), and Other Support	5,571,987	(134,183)	5,437,804
Expenses			
Program Services			
Supported living	1,332,866	-	1,332,866
Supported employment	832,020	-	832,020
Day habilitation	931,433	-	931,433
Pre-vocational	320,741	-	320,741
Food service	116,521	-	116,521
Thrift store	460,099	-	460,099
Community Exploration	113,024	-	113,024
Supporting Services			
Management and general	1,198,567	-	1,198,567
Total Expenses	5,305,271	-	5,305,271
Change in Net Assets	266,716	(134,183)	132,533
Net Assets, Beginning of Year	3,934,109	134,183	4,068,292
Net Assets, End of Year	<u>\$ 4,200,825</u>	<u>\$ -</u>	<u>\$ 4,200,825</u>

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

The Arc Rapides, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2026

Exhibit C

	Program Services						Supporting Services	Total
	Supported Living	Supported Employment	Day Habilitation	Pre-Vocational	Food Service	Thrift Store	Community Exploration	
Salaries and wages	\$ 1,093,217	\$ 510,760	\$ 278,402	\$ 80,695	\$ 28,935	\$ 104,937	\$ 98,152	\$ 2,873,698
Payroll taxes	124,603	47,060	27,203	20,361	3,096	7,821	6,913	312,481
Employee benefits	39,304	18,576	10,961	5,243	-	-	-	76,894
Personnel related expenses	4,456	4,762	1,823	276	11	168	534	14,059
Bad debt expense	-	130	-	-	-	-	-	130
Communications	11,808	5,685	7,525	3,004	275	2,230	435	97,080
Computer and software	1,507	276	199	-	-	239	2,185	9,615
Contract services	-	953	2,263	754	-	15,669	-	185,647
Dues and subscriptions	-	-	-	-	-	-	-	7,752
Equipment	1,172	2,947	4,395	1,851	245	873	365	25,598
Food expense	-	-	345	-	70,308	-	-	84,874
Insurance	27,443	15,827	33,724	15,607	2,320	5,191	-	115,484
Miscellaneous	-	-	-	-	-	338	-	5,626
Postage and freight	28	-	-	-	-	-	-	2,889
Program expenses	5,536	7,609	5,271	1,201	314	2,139	1,009	47,557
Property expenses	3,832	17,785	41,484	18,038	3,788	-	-	114,510
Public relations	1,709	3,015	4,221	201	-	-	-	18,327
Rent expense	-	-	-	-	-	41,600	-	41,600
Supplies	4,545	8,898	21,573	9,305	3,233	2,000	139	102,543
Training and in-service	2,621	336	-	-	-	224	161	6,133
Transportation	1,713	116,144	307,543	97,882	-	-	3,131	532,418
Travel	1,001	-	-	-	-	-	-	1,978
Utilities	6,838	15,599	37,767	16,420	2,463	14,810	-	105,559
Cost of goods sold	-	-	-	-	-	259,257	-	259,257
Depreciation	1,533	55,658	146,734	49,903	1,533	2,603	-	262,561
Total Expenses	<u>\$ 1,332,866</u>	<u>\$ 832,020</u>	<u>\$ 931,433</u>	<u>\$ 320,741</u>	<u>\$ 116,521</u>	<u>\$ 460,099</u>	<u>\$ 113,024</u>	<u>\$ 5,305,271</u>

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

The Arc Rapides, Inc. and Subsidiary
Consolidated Statement of Cash Flows
Year Ended June 30, 2026

Exhibit D

Cash Flows From Operating Activities

Change in net assets	\$ 132,533
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	262,561
Amortization of right-of-use assets for operating leases	42,545
(Gain) loss on sale of equipment	(4,000)
Changes in operating assets and liabilities:	
Grants and accounts receivable	195,741
Prepaid expenses	162,574
Other current assets	369
Deposit on vehicles	21,482
Accounts payable	18,128
Accrued liabilities	15,894
Compensated absences	7,048
Lease liabilities for operating leases	(42,545)
Cash Provided by (Used in) Operating Activities	<u>812,330</u>

Cash Flows From Investing Activities

Purchase of investments	(1,745,152)
Proceeds from investments	895,030
Proceeds from the sale of equipment	4,000
Purchase of property, plant, and equipment	(309,002)
Cash Provided by (Used in) Investing Activities	<u>(1,155,124)</u>

Cash Provided by (Used in) Financing Activities

	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(342,794)

Cash and Cash Equivalents, Beginning of Year	<u>1,878,302</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 1,535,508</u></u>
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Additional Required Disclosures:

1. Management considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. There was no interest paid during the year ended June 30, 2026.
3. There were no income taxes paid during the year ended June 30, 2026.
4. There were no noncash investing and financing transactions during the year ended June 30, 2026.

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

The Arc Rapides, Inc. and Subsidiary
June 30, 2026

Notes to Consolidated Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Arc Rapides, Inc. was incorporated in the State of Louisiana on February 10, 1955, as a non-profit organization to provide education, community-based training, and necessary support designed to culminate in the greatest possible level of independent living for individuals with intellectual and developmental disabilities in Rapides Parish, Louisiana. Programs include:

- Supported Living Program: individualized and family support services offered in homes and apartments that are designed to achieve and/or maintain outcomes of independence, productivity, and community inclusion.
- Supported Employment Program: individualized employment or mobile work crews provided in an integrated competitive work setting.
- Day Habilitation Program: individualized non-employment services that are focused on skill development in socialization, adaptive learning, recreation, and community experiences.
- Pre-Vocational Program: individualized facility-based paid work emphasizing productivity. Paid work is complemented with recreational and community inclusion opportunities.
- Food Service Program: facility-based lunch program for participants.
- Thrift Store Program: providing our community with a low-cost place to shop for everyday needs such as clothing, household goods, and furniture; helping people who are in difficult situations start over again; providing a place of employment for disabled individuals integrated in the community; and providing a reputable outlet for items people no longer need.
- Community Exploration Program: providing the opportunity for participants to explore the community for educational and recreation experiences.

Primary funding is derived from contracts for services with the State of Louisiana Department of Health and Human Services. The membership of the organization is open to all citizens of Rapides Parish, Louisiana, upon payment of dues.

Significant Accounting Policies

The consolidated financial statements of The Arc Rapides, Inc. and The Arc Rapides Thrift Store (collectively, the Arc) have been prepared on the accrual basis of accounting and include the balances and financial activities of both entities. All inter-entity accounts and transactions have been eliminated. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the reader.

The Arc Rapides, Inc. and Subsidiary
June 30, 2026

Notes to Consolidated Financial Statements

Basis of Presentation

The accompanying financial statements of The Arc Rapides, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of consolidated 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.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in interest bearing and noninterest bearing checking accounts, interest bearing savings accounts, and short term, highly liquid investments.

Certificates of Deposit

Certificates of deposit have a maturity date in excess of 90 days when purchased and are stated at cost, which approximates market value.

Grants and Accounts Receivable

Grants and accounts receivable are recorded net of an allowance for credit losses based on management's judgement including such factors as prior collection history and the credit standing of the grantors/donors. Receivables are written off after all reasonable collection efforts have been exhausted.

Investments

Investments, if any, consist of marketable securities that are reported at fair market value based on quoted market prices.

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year.

Property, Plant, and Equipment

Purchased property and equipment, including improvements thereto, are recorded at acquisition cost. Donated property and equipment are recorded at their fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The Arc has adopted a minimum capitalization threshold for any individual item of \$5,000 and greater. Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements that improve or extend the useful lives of the respective assets are capitalized at cost.

The Arc Rapides, Inc. and Subsidiary
June 30, 2026

Notes to Consolidated Financial Statements

Leases

The Arc determines if an arrangement is a lease at the inception of the contract. The Arc's right-of-use asset represents their right to use the underlying asset for the lease term and the lease liability represents their obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. If the lease's implicit interest rate is not readily determinable, the Arc will use a risk-free rate in lieu of determining the incremental borrowing rate. Operating leases with a term of twelve (12) months or less are not recorded in the consolidated statement of financial position. Leases with a term of one (1) month or less do not meet the definition of a short-term lease.

Accrued Liabilities

Accrued liabilities consist of salaries and related benefits and taxes payable at year-end.

Compensated Absences

Employees of the Arc are entitled to be paid for accrued time earned, depending on job classification, length of service, and other factors. Employees are allowed to carry over ten days of paid time off to the following year, but this is subject to change on a situational basis as determined by the executive director. The Arc accrues a liability for unused paid time off at fiscal year-end.

Net Assets

The Arc reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor-imposed restrictions, program service fees, and interest from operating investments, less expenses incurred in providing program related services and performing administrative functions.
- Net assets with donor restrictions – These net assets result from agreements, gifts of cash, and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends, or the purpose of the restriction is accomplished.

Revenues and Support

All contributions, grants, and fees are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions, grants, and fees received with donor-imposed restrictions are recorded as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Arc Rapides, Inc. and Subsidiary
June 30, 2026

Notes to Consolidated Financial Statements

Production and service contracts and food service revenue are invoiced monthly based on rates established by the Arc. These services are considered to be a performance obligation, which is satisfied over the period of time during which the services are rendered. Payment for these services is due upon receipt of the invoice. This method is consistent with the as-invoiced practical expedient.

Fundraiser revenue is reported net of fundraiser expenses in the consolidated statement of activities.

The Arc owns a thrift store, which is a subsidiary of the Organization. It sells clothing, accessories, and household items that have been donated to the Thrift Store by the general public. The transaction price is established by the Thrift Store based on thrift store price values common for these items. The performance obligation is the delivery of the goods to the customer. As each item is individually priced, no allocation of the transaction price is necessary. The Arc and Thrift Store recognize sales revenue as the customer pays and takes possession of the merchandise.

Contributions of Nonfinancial Assets

Donated equipment and services are reflected as contributions of nonfinancial assets at their estimated fair value at the date of receipt and are recorded as expenses for current operations. Donated services that require specialized skills are provided by individuals possessing those skills. The Arc would be required to purchase these services if donated services were not available. The Arc uses the donated equipment and services for its own programs and supporting services. The Arc will occasionally sell donated equipment at the end of its useful life. One van was donated in the amount of \$135,361 for the year ended June 30, 2026. There were no donated services reflected in the consolidated financial statements for the year ended June 30, 2026.

Donated goods received by the Thrift Store are valued at estimated fair value using valuation guides available from other thrift stores, which mimics the expected sales value. Donated goods are reflected as contributions of nonfinancial assets upon receipt of the goods.

Functional Allocation of Expenses

Costs incurred by the Arc from providing various program and support services have been presented on a functional basis in the consolidated statement of functional expenses. Accordingly, costs have been allocated on a reasonable and consistent basis among the functional areas benefited. Most expenses are charged directly to program or support services based on specific identification. Other expenses are allocated based on square footage of the buildings in which each program operates, and depreciation for vehicles is allocated based on information from the Transportation Census.

Public Relations

Public relation costs are expensed when incurred. Public relation costs charged to expense for the year ended June 30, 2026, totaled \$18,327.

The Arc Rapides, Inc. and Subsidiary
June 30, 2026

Notes to Consolidated Financial Statements

Income Tax Status

The Arc is a nonprofit organization that is exempt from 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. The Arc's tax returns remain subject to audit by the IRS for three years after filing. At June 30, 2026, the returns for tax years 2023, 2024, and 2025 remain open.

Subsequent Events

Management has evaluated subsequent events through September 23, 2026, the date which the consolidated financial statements were available for issue.

2. Grants and Accounts Receivable

	<u>June 30, 2026</u>	<u>June 30, 2025</u>
Support receivable (DHH)	\$ 177,389	\$ 238,947
Grant receivable	-	134,183
Less:	177,389	373,130
Allowance for credit losses	-	-
	<u>\$ 177,389</u>	<u>\$ 373,130</u>

3. Property, Plant, and Equipment

The following schedule summarizes estimated useful life, cost, and accumulated depreciation of property, plant, and equipment as of June 30, 2026:

	<u>Life</u>	<u>2026</u>
Land		\$ 43,757
Land improvements	5 Years	19,400
Building and improvements	15 – 40 Years	1,510,144
Leasehold improvements	7 Years	18,223
Vehicles, furniture, and equipment	4 – 10 Years	<u>2,026,461</u>
		3,617,985
Less: accumulated depreciation		<u>(1,933,567)</u>
		\$ 1,684,418

Depreciation expense for the year ended June 30, 2026, was \$262,561.

4. Right-of-Use Lease Assets and Liabilities

The Organization has four long-term non-cancelable operating lease arrangements. Operating leases provide for increases in future minimum annual rental payments. The weighted-average discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term. Operating leases with a term of twelve (12) months or less are not recorded on the consolidated statement of financial position.

The Arc Rapides, Inc. and Subsidiary
June 30, 2026

Notes to Consolidated Financial Statements

The following are the terms of the lease agreements entered into by the Organization:

- In July 2023, an agreement was signed with Moore Properties, LLP to lease a facility located in Alexandria, Louisiana for the thrift store with monthly lease payments of \$3,200 expiring on August 31, 2028.
- In February 2025, an agreement was signed with Pitney Bowes to lease a postage machine with monthly lease payments of \$32 expiring in January 2030.
- In March 2025, an agreement was signed with Giles Hyundai to lease a 2025 Hyundai Kona with monthly lease payments of \$408 expiring February 2028.
- In March 2025, an agreement was signed with Giles Hyundai to lease a 2025 Hyundai Kona with monthly lease payments of \$432 expiring February 2028.

Total right-of-use lease assets and liabilities at June 30, 2026, are as follows:

	<u>Amount</u>
Lease Assets – Classification in Consolidated Statement of Financial Position	
Right-of-use assets for operating leases	\$ 182,816
Accumulated amortization	<u>(87,133)</u>
	95,683
Lease Liabilities – Classification in Consolidated Statement of Financial Position	
Lease liabilities for operating leases - current	\$ 44,846
Lease liabilities for operating leases	<u>50,837</u>
	95,683

Total lease costs for the year ended June 30, 2026, are as follows:

Operating lease costs	\$ 48,860
Weighted-average discount rate:	
Operating leases	5.32%
Weighted-average remaining lease term:	
Operating leases	2.07 years

Future minimum lease payments required under the operating lease in effect at June 30, 2026, that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2027	48,860
2028	45,501
2029	6,784
2030	<u>224</u>
Total lease payment	101,369
Less: imputed interest	<u>(5,686)</u>
Present value of liability	\$ 95,683

The Arc Rapides, Inc. and Subsidiary
June 30, 2026

Notes to Consolidated Financial Statements

5. Liquidity and Availability of Financial Assets

The following reflects the Arc's financial assets as of June 30, 2026, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	<u>June 30, 2026</u>
Financial assets:	
Cash and cash equivalents	\$ 1,535,508
Certificates of deposit	403,090
Grants and accounts receivable, net	177,389
Investments	499,744
Prepaid expenses	<u>45,244</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,660,975

The Arc must maintain sufficient resources to meet responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Arc's liquidity management, it structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Arc anticipates covering its general expenditures by collecting sufficient revenues, investing excess cash in certificates of deposit, and utilizing resources from current year contributions and program service fees.

6. Significant Concentrations

The Arc maintains checking accounts, savings accounts, and certificates of deposit in various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The organization's deposits exceeded FDIC coverage by \$81,714 at June 30, 2026.

Investments of debt securities and certificates of deposit are traded on national stock exchanges and are subject to fluctuations in value. These accounts are insured up to \$500,000, which includes a \$250,000 limit for cash, by Securities Investor Protection Corporation (SIPC). SIPC insurance covers theft or destruction of securities or cash. It does not protect against market losses. The uninsured cash, certificates of deposit, and investment balances held in brokerage accounts totaled \$1,559,055 at June 30, 2026.

The State of Louisiana Department of Health and Hospitals (DHH) Home and Community Based Service Provider (HCBS) and Workforce Commission's (WC) Louisiana Rehabilitation Services (LRS) provided \$3,625,966 in service contract funds, which is approximately 67% of total revenues and support. Without these funds, programs would be significantly affected.

Supplementary Information

The Arc Rapides, Inc. and Subsidiary
Schedule of Compensation, Benefits, and Other Payments
to the Agency Head or Chief Executive Officer
June 30, 2026

Schedule 1

Duane Urbina, Executive Director

Salary	\$ 99,539
Reimbursements	6,811
Cell phone	600
Total	<u>\$ 106,950</u>

See independent accountant's review report.