

The Arc Rapides, Inc.

Alexandria, Louisiana

June 30, 2022

The Arc Rapides, Inc.

June 30, 2022

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

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

Management is responsible for the accompanying financial statements of The Arc Rapides, 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 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 accompanying 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 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 27, 2022

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The Arc Rapides, Inc.
Statement of Financial Position
June 30, 2022

Exhibit A

Assets	
Cash and cash equivalents	\$ 2,112,293
Certificates of deposit	51,619
Accounts receivable	603,986
Prepaid expenses	14,612
Other assets	1,400
Property, plant, and equipment - net of depreciation	<u>1,010,103</u>
Total Assets	<u><u>\$ 3,794,013</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 26,182
Accrued liabilities	21,202
Compensated absences	<u>17,246</u>
Total Liabilities	64,630
Net Assets	
Without donor restrictions	3,729,383
With donor restrictions	<u>-</u>
Total Net Assets	<u><u>3,729,383</u></u>
Total Liabilities and Net Assets	<u><u>\$ 3,794,013</u></u>

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

The Arc Rapides, Inc.
Statement of Activities
Year Ended June 30, 2022

Exhibit B

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Gains (Losses), and Other Support			
Program service fees			
Production contracts	\$ 129,782	\$ -	\$ 129,782
Food service	35,752	-	35,752
LA/DHH HCBS	2,794,022	-	2,794,022
LA/WC LRS	21,490	-	21,490
Contributions of cash and other financial assets	18,088	-	18,088
Grants	153,415	-	153,415
Membership dues	540	-	540
Investment earnings			
Interest income	1,476	-	1,476
Dividend income	42,942	-	42,942
Paycheck Protection Program - loan forgiveness	391,750	-	391,750
Miscellaneous revenue	40,304	-	40,304
Gain (loss) on disposal of equipment	11,900	-	11,900
Fundraiser revenue	1,373	-	1,373
Net assets released from restrictions	12,500	(12,500)	-
Total Revenues, Gains (Losses), and Other Support	<u>3,655,334</u>	<u>(12,500)</u>	<u>3,642,834</u>
Expenses			
Program Services			
Supported living	1,154,093	-	1,154,093
Supported employment	468,967	-	468,967
Day habilitation	555,649	-	555,649
Pre-vocational	200,221	-	200,221
Food service	80,876	-	80,876
Supporting Services			
Management and general	694,177	-	694,177
Total Expenses	<u>3,153,983</u>	<u>-</u>	<u>3,153,983</u>
Change in Net Assets	501,351	(12,500)	488,851
Net Assets, Beginning of Year, As Restated	<u>3,228,032</u>	<u>12,500</u>	<u>3,240,532</u>
Net Assets, End of Year	<u>\$ 3,729,383</u>	<u>\$ -</u>	<u>\$ 3,729,383</u>

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

The Arc Rapides, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

Exhibit C

	Program Services				Supporting Services		Total
	Supported Living	Supported Employment	Day Habilitation	Pre- Vocational	Food Service	Management and General	
Salaries and wages	\$ 969,800	\$ 301,552	\$ 209,155	\$ 65,525	\$ 23,767	\$ 429,716	\$ 1,999,515
Payroll taxes	105,834	29,005	20,639	15,866	2,497	49,898	223,739
Employee benefits	9,129	8,307	6,699	3,855	-	69,858	97,848
Personnel related expenses	7,789	2,097	1,751	401	35	697	12,770
Communications	10,748	4,483	5,604	2,998	369	18,832	43,034
Computer and software	297	-	-	-	-	8,235	8,532
Contract services	7,962	602	1,917	481	-	7,192	18,154
Dues and subscriptions	-	-	-	-	-	8,915	8,915
Equipment	1,082	1,618	2,957	989	224	5,332	12,202
Food expense	73	-	-	-	47,367	3,635	51,075
Insurance	11,697	8,775	19,513	8,840	1,318	12,124	62,267
Postage and freight	-	-	-	-	-	1,695	1,695
Miscellaneous	-	-	-	-	-	1,194	1,194
Production expenses	-	831	-	260	-	-	1,091
Program expenses	3,930	999	1,870	522	431	8,479	16,231
Public relations	-	-	-	-	-	442	442
Supplies	2,304	6,707	16,194	6,772	977	40,995	73,949
Training and in-service	925	371	536	168	-	1,707	3,707
Transportation	-	46,437	124,525	40,223	-	2,594	213,779
Travel	13,264	1,161	68	-	-	3,191	17,684
Utilities	5,735	8,324	20,154	8,762	1,314	4,153	48,442
Property expenses	2,416	7,745	18,751	8,152	1,469	11,971	50,504
Depreciation	1,108	39,953	105,316	36,407	1,108	3,322	187,214
Total Expenses	<u>\$ 1,154,093</u>	<u>\$ 468,967</u>	<u>\$ 555,649</u>	<u>\$ 200,221</u>	<u>\$ 80,876</u>	<u>\$ 694,177</u>	<u>\$ 3,153,983</u>

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

The Arc Rapides, Inc.
Statement of Cash Flows
Year Ended June 30, 2022

Exhibit D

Cash Flows From Operating Activities

Change in net assets	\$ 470,717
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	187,214
(Gain) loss on disposal of equipment	(11,900)
Changes in operating assets and liabilities:	
Accounts receivable	(210,587)
Other assets	(1,400)
Accounts payable	15,791
Accrued liabilities	19,942
Compensated absences	1,233
Cash Provided by (Used in) Operating Activities	471,010

Cash Flows From Investing Activities

Investment earnings reinvested	(513)
Proceeds from the sale of equipment	11,900
Purchase of property, plant, and equipment	(76,150)
Cash Provided by (Used in) Investing Activities	(64,763)

Cash Flows From Financing Activities

Paycheck Protection Program - loan forgiveness	(391,750)
Cash Provided by (Used in) Financing Activities	(391,750)

Net Increase (Decrease) in Cash and Cash Equivalents

14,497

Cash and Cash Equivalents, Beginning of Year

2,097,796

Cash and Cash Equivalents, End of Year

\$ 2,112,293

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, 2022.
3. There were no income taxes paid during the year ended June 30, 2022.
4. There were no material noncash investing and financing transactions during the year that affected recognized assets and liabilities.

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

The Arc Rapides, Inc.
June 30, 2022

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Arc Rapides, Inc. (Arc), formerly known as Rapides Association for Retarded Citizens, 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.

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 significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

New Accounting Standard

The Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07 – Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07) to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is applicable and was adopted by the Arc during the fiscal year ended June 30, 2022. The new standard requires that contributed nonfinancial assets be presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. Although the Arc does not have any contributed nonfinancial assets for the fiscal year ended June 30, 2022, they were required to rename charitable contributions as contributions of cash and other financial assets in the statement of activities to improve the transparency of the type of contributions received. These changes did not have a material effect on the financial statements.

The Arc Rapides, Inc.
June 30, 2022

Notes to Financial Statements

Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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. At June 30, 2022, there were no net assets with donor restrictions.

Use of Estimates

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

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.

Receivables

Receivables are charged to expense when they become uncollectible. In the opinion of management, all receivables at June 30, 2022, were considered collectible within a year, and an allowance for doubtful accounts was not considered necessary.

Prepaid Expenses

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

The Arc Rapides, Inc.
June 30, 2022

Notes to Financial Statements

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.

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 as paid time off, 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.

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 that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Production contracts and food service revenue are invoiced monthly based on rates established by the Arc. These services are considered to be one 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.

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. No amounts have been reflected in the financial statements for donated equipment or services for the year ended June 30, 2022.

The Arc does not sell donated equipment and services but uses these donations for its own programs and supporting services.

The Arc Rapides, Inc.
June 30, 2022

Notes to Financial Statements

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 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, 2022, totaled \$442.

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, 2022, the returns for tax years 2019, 2020, and 2021 remain open.

Subsequent Events

Management has evaluated subsequent events through September 27, 2022, the date which the financial statements were available for issue.

2. Accounts Receivable

As of June 30, 2022 and June 30, 2021, accounts receivable consisted of:

	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Contributions receivable	\$ 384,643	\$ 585,686
Other receivables (production contracts and food services)	8,756	18,300
	\$ 393,399	\$ 603,986

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, 2022:

	<u>Life</u>	<u>2022</u>
Land		\$ 26,000
Building and improvements	15 – 40 Years	1,230,356
Vehicles, furniture, and equipment	4 – 10 Years	1,216,379
		2,472,735
Less: Accumulated depreciation		(1,462,632)
		\$ 1,010,103

Depreciation expense for the year ended June 30, 2022, was \$187,214.

The Arc Rapides, Inc.
June 30, 2022

Notes to Financial Statements

4. Note Payable

On February 5, 2021, the Arc acquired a loan in the amount of \$391,750 through Red River Bank to pay for payroll and related benefits and other expenses under the Paycheck Protection Program (PPP) provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan provides for monthly payments of \$9,196 using a rate of 1.00% per annum beginning July 5, 2022, for forty-four months with the last payment due on February 5, 2026.

During the fiscal year ending June 30, 2022, the Arc completed an application to the Small Business Administration (SBA) for complete forgiveness of both the PPP loan of \$391,750, as well as any accrued interest. As anticipated, the SBA forgave the initial loan amount, and all accrued interest prior to year-end and is presented as Paycheck Protection Program – loan forgiveness in the Statement of Activities.

5. Liquidity and Availability of Financial Assets

The following reflects the Arc's financial assets as of June 30, 2022, 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, 2022</u>
Financial assets:	
Cash and cash equivalents	\$ 2,112,293
Certificates of deposit	51,619
Accounts receivable	<u>603,986</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,767,898</u>

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 \$1,576,358 at June 30, 2022.

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 \$2,815,512 in service contract funds, which is approximately 77% of total revenue and support. Without these funds, programs would be significantly affected.

The Arc Rapides, Inc.
June 30, 2022

Notes to Financial Statements

7. Restatement of Beginning Net Assets Without Donor Restrictions

The Arc recorded the following prior period adjustment to restate net assets for correction of an accounting error:

Net Assets Without Donor Restrictions, Beginning of Year	\$ 3,246,166
Adjustment of payroll liabilities for incorrect accruals	<u>(18,134)</u>
Net Assets Without Donor Restrictions, Beginning of Year, as Restated	<u>\$ 3,228,032</u>

Supplemental Information

The Arc Rapides, Inc.
Schedule of Compensation, Benefits and Other Payments
to the Agency Head or Chief Executive Officer
June 30, 2022

Statement E

Duane Urbina, CEO

Salary	\$ 85,360
Reimbursements	1,492
Travel	729
Total	<u>\$ 87,581</u>

See accountant's compilation report.