

**The Arc Baton Rouge
Baton Rouge, Louisiana
Financial Report
June 30, 2019**

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Independent Accountant's Review Report

Ms. Susanne Romig, Executive Director,
and the Board of Directors of
The Arc Baton Rouge
Baton Rouge, Louisiana

We have reviewed the accompanying financial statements of The Arc Baton Rouge (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying supplementary information included in the schedule of compensation, benefits and other payments to 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 and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that

should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Report on 2018 Financial Statements

The 2018 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated December 27, 2018. We have not performed any auditing procedures since that date.

Hawthorn, Waymouth & Carroll, L.L.P.

December 20, 2019

Financial Statements

The Arc Baton Rouge
Statements of Financial Position
June 30, 2019 and 2018

Assets		2019	2018
		<hr/>	<hr/>
Assets			
Cash and cash equivalents	\$	130,115	\$ 90,672
Receivables		254,273	212,987
Property and equipment, net		1,437,570	626,918
Deposits		26,059	26,059
		<hr/>	<hr/>
Total assets	\$	1,848,017	\$ 956,636
		<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Deficit			
Liabilities			
Accounts payable	\$	22,206	\$ 21,347
Accrued expenses		70,367	102,730
Line of credit		-	171,147
Notes payable		745,069	203,445
Deferred income		40,000	25,000
Accrued pension cost		1,491,938	1,395,373
		<hr/>	<hr/>
Total liabilities		2,369,580	1,919,042
Net Deficit			
Without donor restrictions		(521,563)	(962,406)
		<hr/>	<hr/>
Total liabilities and net deficit	\$	1,848,017	\$ 956,636
		<hr/> <hr/>	<hr/> <hr/>

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

The Arc Baton Rouge
Statements of Activities
Years Ended June 30, 2019 and 2018

Without Donor Restrictions	2019	2018
Operating Activities:		
Revenue and Gains		
Federal and state contracts	\$ 3,040,779	\$ 2,984,421
Federal grants	156,682	151,926
Private and public grants	90,000	107,594
Residential facilities	26,397	34,867
Program sales and service fees	117,677	136,747
Allocations from Capital Area United Way	317,433	385,662
Contributions	48,464	63,846
Plane Pull	-	31,827
Other income	4,828	9,196
Total revenue and gains	3,802,260	3,906,086
Expenses and Losses		
Program services	2,890,087	3,323,917
General and administrative	579,463	623,094
Fundraising	-	2,589
Total expenses	3,469,550	3,949,600
(Gain) Loss on disposal of fixed assets	(157,728)	319,459
Total expenses and (gain) loss	3,311,822	4,269,059
(Increase) Decrease in Net Deficit from Operating Activities	490,438	(362,973)
Non-Operating Activities:		
Pension-related changes other than net periodic pension cost	(49,595)	(20,298)
(Increase) Decrease in Net Deficit	440,843	(383,271)
Net Deficit, beginning of year	(962,406)	(579,135)
Net Deficit, end of year	\$ (521,563)	\$ (962,406)

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

The Arc Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2019

Program Services

	Business Enterprise and Day Habilitation	Children's Services	In-Home Services	Baton Rouge Vocational Services	Community Services	Arts and Recreation	Total Program Services	General and Administrative	Total Expenses
Compensation and related benefits									
Salaries	\$ 404,257	\$ 58,143	\$ 1,452,346	\$ 83,264	\$ 13,998	\$ 14,256	\$ 2,026,264	\$ 166,686	\$ 2,192,950
Payroll taxes	30,171	3,763	113,123	6,409	1,073	810	155,349	12,414	167,763
Employee health insurance	40,831	5,455	76,485	2,448	258	145	125,622	12,957	138,579
Retirement plan	-	-	-	-	-	-	-	48,470	48,470
Total compensation and related benefits	475,259	67,361	1,641,954	92,121	15,329	15,211	2,307,235	240,527	2,547,762
Contractual services	3,420	-	-	-	-	-	3,420	-	3,420
Professional services	1,617	42,135	13,774	2,428	261	-	60,215	86,394	146,609
Supplies	2,736	410	7,648	77	570	316	11,757	15,017	26,774
Utilities and telephone	21,165	2,801	21,326	696	-	-	45,988	40,970	86,958
Maintenance and equipment rental	3,397	1,196	4,991	294	-	-	9,878	11,454	21,332
Membership dues	-	-	-	-	-	-	-	10,021	10,021
Travel and transportation	-	1,681	12,301	1,349	-	-	15,331	608	15,939
Office expenses	-	-	-	-	366	-	366	1,473	1,839
General insurance	54,844	573	6,769	-	-	-	62,186	91,217	153,403
Workers' compensation	8,241	1,321	35,738	75	36	28	45,439	1,802	47,241
Vehicle expenses	7,378	-	-	-	-	-	7,378	-	7,378
Interest expense	-	-	-	-	-	-	-	24,229	24,229
Other expenses	2,815	434	11,505	219	-	-	14,973	12,619	27,592
Assistance to individuals	-	291,004	-	-	-	-	291,004	-	291,004
Depreciation	12,507	-	1,457	953	-	-	14,917	43,132	58,049
Total functional expenses	\$ 593,379	\$ 408,916	\$ 1,757,463	\$ 98,212	\$ 16,562	\$ 15,555	\$ 2,890,087	\$ 579,463	\$ 3,469,550

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

The Arc Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services							Supporting Services		
	Business Enterprise and Day Habilitation	Children's Services	In-Home Services	Baton Rouge Vocational Services	Community Services	Arts and Recreation	Total Program Services	General and Administrative	Fund- raising	Total Expenses
Compensation and related benefits										
Salaries	\$ 485,055	\$ 194,906	\$ 1,555,362	\$ 47,517	\$ 29,337	\$ -	\$ 2,312,177	\$ 199,690	\$ -	\$ 2,511,867
Payroll taxes	36,540	14,460	120,032	3,684	2,221	-	176,937	13,929	-	190,866
Employee health insurance	38,710	6,450	78,839	2,569	311	-	126,879	6,040	-	132,919
Retirement plan	-	-	-	-	-	-	-	21,834	-	21,834
Total compensation and related benefits	560,305	215,816	1,754,233	53,770	31,869	-	2,615,993	241,493	-	2,857,486
Contractual services	4,566	-	-	-	-	-	4,566	-	-	4,566
Professional services	919	77,785	12,754	48	200	-	91,706	172,675	-	264,381
Supplies	6,294	5,902	5,586	38	5,373	-	23,193	13,681	-	36,874
Utilities and telephone	38,418	7,216	22,481	1,325	170	-	69,610	38,578	-	108,188
Maintenance and equipment rental	5,422	2,000	6,549	306	-	-	14,277	8,843	-	23,120
Flood recovery expenses	2,500	-	2,768	-	1,696	-	6,964	-	-	6,964
Membership dues	-	255	11	-	-	-	266	13,870	-	14,136
Travel and transportation	1,545	6,816	15,084	1,443	117	-	25,005	2,135	-	27,140
Office expenses	50	-	294	-	1,053	-	1,397	1,139	-	2,536
General insurance	66,844	2,651	12,763	895	-	-	83,153	75,253	-	158,406
Workers' compensation	13,749	4,329	70,623	172	904	-	89,777	508	-	90,285
Vehicle expenses	5,770	-	-	-	-	-	5,770	-	-	5,770
Program transportation	-	700	-	-	-	-	700	-	-	700
Interest expense	127	-	45	-	-	-	172	11,317	-	11,489
Other expenses	4,020	19,105	7,142	51	339	-	30,657	16,772	2,589	50,018
Assistance to individuals	-	-	-	-	205,317	-	205,317	-	-	205,317
Depreciation	40,990	9,428	4,304	672	-	-	55,394	26,830	-	82,224
Total functional expenses	\$ 751,519	\$ 352,003	\$ 1,914,637	\$ 58,720	\$ 247,038	\$ -	\$ 3,323,917	\$ 623,094	\$ 2,589	\$ 3,949,600

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

The Arc Baton Rouge
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
(Increase) decrease in net deficit	\$ 440,843	\$ (383,271)
Adjustments to reconcile (increase) decrease in net deficit to net cash provided by (used in) operating activities:		
Depreciation	58,049	82,224
(Gain) loss on disposal of fixed assets	(157,728)	319,459
Pension cost	96,565	5,132
(Increase) decrease in assets:		
Receivables	(41,286)	68,966
Deposits	-	(5,290)
Increase (decrease) in liabilities:		
Accounts payable	859	(20,742)
Accrued expenses	(32,363)	(17,560)
Deferred income	15,000	(58,300)
Net cash provided by (used in) operating activities	379,939	(9,382)
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,059,172)	(255,637)
Proceeds from the sale of property and equipment	348,199	-
Proceeds from the sale of investments	-	21,588
Net cash used in investing activities	(710,973)	(234,049)
Cash Flows from Financing Activities		
Increase (decrease) in line of credit	(171,147)	16,846
Proceeds from note payable	547,376	205,312
Principal payments on note payable	(5,752)	(1,867)
Net cash provided by financing activities	370,477	220,291
Net Increase (Decrease) in Cash and Cash Equivalents	39,443	(23,140)
Cash and Cash Equivalents, beginning of year	90,672	113,812
Cash and Cash Equivalents, end of year	\$ 130,115	\$ 90,672
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	\$ 24,229	\$ 11,489

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

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 1-Nature of Organization

The Arc Baton Rouge (the “Organization”) is a not-for-profit organization which promotes, develops, monitors, supports and directly provides services to improve the well-being of people with intellectual and developmental disabilities and their families. The Organization primarily serves East Baton Rouge Parish as well as the surrounding parishes: Ascension, East Feliciana, Iberville, Pointe Coupee, West Baton Rouge, and West Feliciana. The Organization’s funding sources include allocations from the Capital Area United Way, philanthropic grants, and federal and state fees for service, contracts, and grants.

The Organization offers the following service programs:

Business Enterprise and Day Habilitation: Day program services offer opportunities for people with developmental disabilities to become more independent, integral, and productive members of society. Services include work adjustment training, community life enrichment, and paid work experience.

Children’s Services: Promotes the rights and full inclusion of children with special needs and their families. With community partners, the program provides services, support, and advocacy that inspire the community and individuals. Early intervention services are provided for children with disabilities and families in home and community settings. The program also supports inclusion through training and technical assistance projects to support early childhood teachers and child care providers to include children with disabilities in natural settings. The program also provides services to families of children with disabilities through parent support and training.

In-Home Services: Provides supported living services to adults with developmental disabilities who require assistance or support to live in their own homes in the community. The goal is to provide opportunities and support for individuals to live as independently as possible and to be successfully included in the community. Also provides relief for the primary care providers of children and adults with developmental disabilities, from the everyday care, whether it is physical assistance, supervision, or accompanying on outings. The support may occur in the individual’s home or in the community. It may occur regularly or the family may only request assistance in an emergency situation. A primary objective is to help prevent or delay institutionalization of individuals with developmental disabilities.

Baton Rouge Vocational Services: Develops and creates employment opportunities for individuals (age 16 and older) with disabilities through partnership with Louisiana Rehabilitation Services. The program provides transition services, vocational assessments, job readiness training, job placement, and follow-up services.

Community Services: Provides disability education to the general public, service referral, advocacy, crisis assistance, and coordination of volunteer efforts.

Arts and Recreation: Works with established agencies to provide inclusive recreational opportunities for persons with and without developmental disabilities. The program works with other established agencies to coordinate recreational, special events and volunteer opportunities.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include those net assets whose use by the Organization is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity. At June 30, 2019 and 2018, the Organization had no net assets with donor restrictions.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

D. Receivables

Grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the service under the terms of the grant agreement. Advances under the grants are recorded as deferred income until such time as they can be recognized as revenue.

As of June 30, 2019 and 2018, the Organization considered its receivables to be fully collectible; therefore, no allowance for doubtful accounts was recorded.

E. Property and Equipment

Property and equipment are recorded at cost, if purchased by the Organization. Property and equipment donated for operations are recorded as additions to net assets at fair value at the date of receipt and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, which are as follows:

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 2-Summary of Significant Accounting Policies (Continued)

E. Property and Equipment (Continued)

Buildings and improvements	3 - 35 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

Expenditures for additions of property and equipment in excess of \$2,500 are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

F. Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as revenue without donor restrictions.

The Organization reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

G. Accrued Vacation

Vacation and sick pay are not vested. For 2018, vacation and sick pay ran from September 1st to August 31st for all Organization employees, except for employees of the Children's Services program, where it ran from January 1st to December 31st. Accrued vacation was \$17,804 at June 30, 2018. For 2019, the vacation and sick pay policy was changed to run from July 1st to June 30th for all programs; therefore, there was no accrued vacation at June 30, 2019.

H. Contributed Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, have not been satisfied.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 2-Summary of Significant Accounting Policies (Continued)

I. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for income taxes on related income has been included in the financial statements.

The Organization follows FASB ASC 740, *Income Taxes*, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained on examination by taxing authorities. Recognized income tax positions are recorded at the largest amount that is greater than fifty percent likely of being realized.

The Organization evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

From time to time, the Organization may be subject to interest and penalties assessed by various taxing authorities. These amounts have historically been insignificant and are classified as other expenses when they occur.

J. Functional Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on a reasonable basis that is consistently applied. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Expenses that are allocated include compensation and related benefits, which are allocated on the basis of time and effort, as well as depreciation, insurance, and utilities, which are allocated on the basis of square footage.

K. Liquidity Management

As of June 30, 2019, the following financial assets could be made readily available to meet general expenditures within one year of the date of the statement of financial position:

Cash and cash equivalents	\$ 130,115
Receivables	<u>254,273</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 384,388</u>

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 2-Summary of Significant Accounting Policies (Continued)

L. New Accounting Pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods. The unrestricted net asset class has been renamed *net assets without donor restrictions*. The financial statements include a new disclosure about liquidity and availability of resources.

M. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on the total net deficit or the increase in net deficit of the prior year.

Note 3-Property and Equipment

A summary of property and equipment at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 2,322,386	\$ 2,078,400
Furniture and equipment	70,579	80,825
Vehicles	<u>105,647</u>	<u>105,647</u>
	2,498,612	2,264,872
Less depreciation to date	<u>1,334,639</u>	<u>1,747,951</u>
	1,163,973	516,921
Land	<u>273,597</u>	<u>109,997</u>
Property and equipment, net	<u><u>\$ 1,437,570</u></u>	<u><u>\$ 626,918</u></u>

During the year ended June 30, 2018, the Organization transferred title for a building and the land on which it is situated to the State of Louisiana. The building and the land were originally purchased with federal grant funds by the State of Louisiana. This transfer resulted in a loss in the amount of \$310,251 that is included in the "Loss on disposal of fixed assets" reported on the Statements of Activities.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 4-Line of Credit

The Organization has a \$150,000 line of credit with a financial institution, due on demand, of which \$0 was drawn at June 30, 2019. The interest rate was 6.50% at June 30, 2019. The line was secured by real estate. The Organization had a \$200,000 line of credit with a financial institution, due on demand, of which \$171,147 was drawn at June 30, 2018. The interest rate was 5.00% at June 30, 2018. The line was secured by real estate.

Note 5-Notes Payable

	<u>2019</u>	<u>2018</u>
Note payable to a financial institution, due in 59 monthly principal and interest installments totaling \$1,442, with a final payment of \$175,058 due on February 15, 2023, bearing interest at 5.75%, collateralized by real estate.	\$ 197,693	\$ 203,445
Note payable to a financial institution, due in 59 monthly principal and interest installments totaling \$3,967, with a final payment of \$471,410 due on April 15, 2024, bearing interest at 6.00%, collateralized by real estate.	<u>547,376</u>	<u>-</u>
Total notes payable	<u>\$ 745,069</u>	<u>\$ 203,445</u>

Future maturities of the notes payable for the years ending June 30 are as follows:

2020	\$ 21,253
2021	22,547
2022	23,921
2023	190,696
2024	<u>486,652</u>
	<u>\$ 745,069</u>

Note 6-Pension Plan

The Organization has a defined benefit pension plan which covers substantially all of its employees who meet eligibility requirements. Benefits under the plan are generally based on the employee's compensation using the highest five consecutive calendar years' salary during the last ten completed calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

Effective July 1, 2015, the Organization elected to do a hard freeze of the defined benefit pension plan. Under the hard freeze, employees currently in the plan stopped earning benefits beginning July 1, 2015.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 6-Pension Plan (Continued)

The Organization follows FASB ASC 715, *Compensation-Retirement Benefits*, which requires companies to recognize an asset or liability for the overfunded or underfunded status of their benefit plans in their financial statements.

The following table presents the changes in benefit obligation, changes in plan assets, and the composition of accrued benefit costs in the statements of financial position as of June 30, 2019 and 2018.

	Pension Benefits	
	<u>2019</u>	<u>2018</u>
Changes in Benefit Obligation		
Benefit obligation at beginning of year	\$ 3,675,383	\$ 4,104,197
Service cost	7,865	8,105
Interest cost	122,315	118,302
Change due to assumption changes	64,170	57,507
Actuarial gain	(5,386)	(21,640)
Benefits disbursed	(655,957)	(594,273)
Expense charges	(130,546)	(12,505)
Effect of settlement on pension benefit obligation	<u>(986)</u>	<u>15,690</u>
Benefit obligation at end of year	<u>3,076,858</u>	<u>3,675,383</u>
Changes in Plan Assets		
Fair value of plan assets at beginning of year	2,280,010	2,713,956
Actual return on plan assets	89,913	137,832
Employer contributions	1,500	35,000
Benefits disbursed (including expense charges)	<u>(786,503)</u>	<u>(606,778)</u>
Fair value of plan assets at end of year	<u>1,584,920</u>	<u>2,280,010</u>
Accrued pension cost	<u>\$ 1,491,938</u>	<u>\$ 1,395,373</u>

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The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 6-Pension Plan (Continued)

The following table presents a reconciliation of items not yet reflected in net periodic benefit cost under FASB ASC 715 as of June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Net actuarial loss, beginning	\$ 659,918	\$ 747,049
Reclassified as net periodic benefit cost	(35,498)	(34,103)
Amounts arising during period	85,093	54,401
Effects of settlement	<u>(127,712)</u>	<u>(107,429)</u>
Net actuarial loss, ending	<u>\$ 581,801</u>	<u>\$ 659,918</u>

The estimated amount to be reclassified as net periodic benefit cost in the year ending June 30, 2020 is \$38,608.

The accumulated benefit obligation for the pension plan was approximately \$3.1 million and \$3.7 million as of June 30, 2019 and 2018, respectively.

The significant actuarial assumptions used in the valuations as of June 30, 2019 and 2018 are as follows:

1. Measurement Date	6/30/2019	6/30/2018
2. Assumptions:		
a) Discount Rate	3.25%	3.75%
b) Post-retirement Interest Rate	5.00%	5.00%
c) Expected Long-term Rate of Return on Plan Assets	6.00%	6.00%
d) Salary Increase	0.0% per year	0.0% per year
e) Social Security Wage Base Increase	0.0% per year	0.0% per year
f) Employee Withdrawal Rates	None	None
g) Retirement Age	Age 65; for employees over age 65, immediate retirement is assumed	

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 6-Pension Plan (Continued)

h) Mortality Rates

Pre-retirement mortality:

06/30/19: Adjusted RP-2014 Total Dataset
Employee Table, separate for Males and Females
projected by Scale-MP 2018

06/30/18: Adjusted RP-2014 Total Dataset
Employee Table, separate for Males and Females
projected by Scale-MP 2017

Post-retirement mortality:

06/30/19: 2019 Unisex Mortality Table specified in
IRS Notice 2018-02

06/30/18: 2018 Unisex Mortality Table specified in
IRS Notice 2017-60

i) Pre-retirement Expense Loading

Annual Estimated Administrative Charge

j) Post-retirement Expense Loading

0.0% of estimated cost of annuity

k) Spouse Age

Females 3 years younger than males

l) Marital Status

80% married

m) Maximum Benefit and Maximum

Includable Compensation Increase

3.75% per year

3.75% per year

3. Census date

7/1/2018

7/1/2017

The Expected Long-Term Rate of Return on Plan Assets assumption of 6.00% was in accordance with Actuarial Standards Board in Actuarial Standards of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. Based on the investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation and investment expense) and for inflation based on the long-term historical return on the applicable asset classes. An average inflation rate with the range equal to 3.00% was selected and added to the real rate of return range to arrive at a best estimate range of 5.30% to 7.34%. A rate of 6.00%, which is within the best estimate range, was selected.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 6-Pension Plan (Continued)

The Organization does not anticipate making funding contributions to the Pension Plan from July 1, 2019 to June 30, 2020. The components of net periodic pension cost for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 7,865	\$ 8,105
Interest cost	122,315	118,302
Actual return on plan assets	(89,913)	(137,832)
Amortization of unrecognized net loss	35,498	34,103
Asset loss deferred	<u>(27,295)</u>	<u>(2,844)</u>
Net periodic pension cost	<u>\$ 48,470</u>	<u>\$ 19,834</u>

Benefits expected to be paid during the ensuing five years and thereafter, are estimated as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Pension Benefits</u>
2020	\$ 323,000
2021	104,000
2022	146,000
2023	147,000
2024	248,000
2025 - 2029	1,300,000

Plan Assets by Category

	<u>As of June 30, 2019</u>		<u>As of June 30, 2018</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Equity	\$ 644,583	40.67%	\$ 641,717	28.14%
Fixed Income	931,751	58.79%	828,696	36.35%
General Account	<u>8,586</u>	<u>0.54%</u>	<u>809,597</u>	<u>35.51%</u>
Total	<u>\$ 1,584,920</u>	<u>100.00%</u>	<u>\$ 2,280,010</u>	<u>100.00%</u>

The Organization's investment strategy is a long-term investment mix of forty percent common stocks and sixty percent fixed income investments which include bonds and cash equivalents. The permitted range by investment category is 25% - 75% for common stock and bond funds and up to 40% for cash equivalent funds.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 7-Pension Plan – Defined Contribution

The Organization has a non-contributory defined contribution plan subject to Section 403(b) of the Internal Revenue Code. The plan covers all employees who meet eligibility requirements. Employees may contribute 100% of eligible compensation, not to exceed federal limits.

Note 8-Concentration of Risk

Receivables have significant concentrations of credit risk in the governmental sector. At June 30, 2019 and 2018, the portion of these receivables related to this sector was approximately 92%.

Note 9-Economic Dependency

The Organization receives a majority of its revenue from funds provided through programs administered by the State of Louisiana and Capital Area United Way. The program amounts are appropriated each year by the federal and state governments and Capital Area United Way. If significant budget cuts are enacted at the federal and/or state level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

Note 10-Contingencies - Federal and State Programs

The Organization participates in federal and state programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at year end may be impaired.

In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Organization.

Note 11-Management's Plan Regarding Net Deficit

Management of the Organization considers the primary cause of the net deficit to be related to the defined benefit pension plan. Management has implemented changes in the Organization that include consolidation of program facilities and cross-training of administrative and services-related staff.

Regarding the unfunded defined benefit pension plan, management has explored the distress termination process and has begun to compile historical data to complete the in-depth application. The Board endorses these actions and has requested that the documents be filed during the first quarter of 2020.

The Arc Baton Rouge
Notes to Financial Statements
June 30, 2019

Note 12-Subsequent Events

The Organization evaluated all subsequent events through December 20, 2019, the date the financial statements were available to be issued. As a result, the Organization noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

The Arc Baton Rouge
Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
Year Ended June 30, 2019

The Organization's agency head did not receive any compensation,
benefits, or other payments from public funds for the year ended
June 30, 2019.

Agency Head Name: Susanne Romig, Executive Director

Purpose	Amount
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by agency	-
Per diem	-
Reimbursements	-
Travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-