

ARC of OUACHITA (dba ARCO)

**Financial Statements
As of and for the Years Ended
June 30, 2018 and 2017**

ARC of OUACHITA (dba ARCO)

**Financial Statements
As of and for the Years Ended
June 30, 2018 and 2017**

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
ARC of Ouachita (dba ARCO)
Monroe, Louisiana**

We have audited the accompanying financial statements of the **ARC of Ouachita (dba ARCO)** (a non-profit organization, the Association), 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 the 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.

Auditor's 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 audit 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 auditor's 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 entity'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 entity'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.

**The Board of Directors
ARC of OUACHITA (dba ARCO)**

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

Opinion

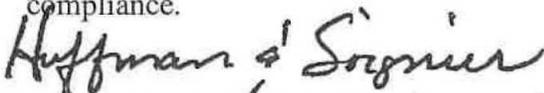
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1, 2, and 3 as listed in the table of contents under supplemental information are presented for purposes of additional analysis and are 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 audits 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 standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects 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 31, 2018, on our consideration of the Association's internal control over financial reporting and 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 do not provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.


(A Professional Accounting Corporation)
December 31, 2018

FINANCIAL STATEMENTS

ARC of OUACHITA (dba ARCO)

Statements of Financial Position

	June 30, 2018		
	Unrestricted	Temporarily Restricted	Total
Assets			
Cash	\$ 380,948	\$ -	\$ 380,948
Accounts receivable			
Intergovernmental	278,434	-	278,434
Services	55,657	-	55,657
United Way	83	150,900	150,983
Other	23,893	-	23,893
Land, buildings, and equipment	1,085,295	157,485	1,242,780
Accumulated depreciation	(698,740)	(45,878)	(744,618)
Prepaid expenses	3,763	-	3,763
Other deposits	23,968	-	23,968
	\$ 1,153,301	\$ 262,507	\$ 1,415,808
Total assets	\$ 1,153,301	\$ 262,507	\$ 1,415,808
 Liabilities and net assets			
Liabilities			
Accounts payable	\$ 47,562	\$ -	\$ 47,562
Accrued payroll and taxes	65,279	-	65,279
Deferred revenue	13,625	-	13,625
Notes payable	234,616	-	234,616
Total liabilities	361,082	-	361,082
 Net Assets			
Unrestricted	792,219	-	792,219
Temporarily restricted	-	262,507	262,507
Total net assets	792,219	262,507	1,054,726
	\$ 1,153,301	\$ 262,507	\$ 1,415,808
Total liabilities and net assets	\$ 1,153,301	\$ 262,507	\$ 1,415,808

The accompanying notes are an integral part of these statements.

June 30, 2017

Unrestricted	Temporarily Restricted	Total
\$ 505,726	\$ -	\$ 505,726
283,175	-	283,175
72,182	-	72,182
-	179,624	179,624
6,754	-	6,754
1,098,140	155,422	1,253,562
(662,555)	(57,152)	(719,707)
1,706	-	1,706
26,930	-	26,930
\$ 1,332,058	\$ 277,894	\$ 1,609,952
\$ 38,560	\$ -	\$ 38,560
74,579	-	74,579
13,850	-	13,850
253,192	-	253,192
380,181	-	380,181
951,877	-	951,877
-	277,894	277,894
951,877	277,894	1,229,771
\$ 1,332,058	\$ 277,894	\$ 1,609,952

ARC of OUACHITA (dba ARCO)

**Statements of Activities
For the Years Ended**

	June 30, 2018		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support			
Intergovernmental	\$ 3,052,665	\$ -	\$ 3,052,665
Charges for services	415,724	-	415,724
Contributions and grants	64,362	111,608	175,970
United Way allocation	-	168,025	168,025
Membership dues	114,003	-	114,003
Contributions and net revenue from Special events			
Contributions	20,016	-	20,016
Other revenues	52,306	-	52,306
Total	3,719,076	279,633	3,998,709
 Net assets released from restrictions	 295,020	 (295,020)	 -
 Revenues, gains and other support	 4,014,096	 (15,387)	 3,998,709
 Expenses			
Program services			
Supported employment	679,813	-	679,813
Day habilitation	166,995	-	166,995
Supported work contracts	217,207	-	217,207
Supported living	2,076,194	-	2,076,194
Community home			
Mallard Home	219,852	-	219,852
Early Intervention	232,715	-	232,715
Total program services	3,592,776	-	3,592,776
Supporting services			
Management and general	506,742	-	506,742
Fundraising	74,236	-	74,236
Total supporting services	580,978	-	580,978
 Total expenses	 4,173,754	 -	 4,173,754
 Increase (decrease) in net assets	 (159,658)	 (15,387)	 (175,045)
 Net assets at beginning of year	 951,877	 277,894	 1,229,771
 Net assets at end of year	 \$ 792,219	 \$ 262,507	 \$ 1,054,726

The accompanying notes are an integral part of these statements.

June 30, 2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 3,309,318	\$ -	\$ 3,309,318
393,271	-	393,271
176,307	98,270	274,577
-	191,153	191,153
139,642	-	139,642
6,678	-	6,678
11,082	-	11,082
<u>4,036,298</u>	<u>289,423</u>	<u>4,325,721</u>
231,242	(231,242)	-
4,267,540	58,181	4,325,721
616,874	-	616,874
190,792	-	190,792
230,829	-	230,829
2,139,269	-	2,139,269
260,385	-	260,385
294,435	-	294,435
<u>3,732,584</u>	<u>-</u>	<u>3,732,584</u>
504,973	-	504,973
109,994	-	109,994
<u>614,967</u>	<u>-</u>	<u>614,967</u>
4,347,551	-	4,347,551
(80,011)	58,181	(21,830)
1,031,888	219,713	1,251,601
<u>\$ 951,877</u>	<u>\$ 277,894</u>	<u>\$ 1,229,771</u>

ARC of OUACHITA (dba ARCO)

**Statement of Functional Expenses
For the Year Ended June 30, 2018**

	Program Services				
	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>	<u>Mallard Home</u>
Salaries	\$ 456,661	\$ 96,166	\$ 73,109	\$ 1,619,442	\$ 109,096
Payroll taxes	35,850	7,771	403	126,874	8,542
Pension	4,495	775	-	18,483	1,468
Total salaries and related expenses	<u>497,006</u>	<u>104,712</u>	<u>73,512</u>	<u>1,764,799</u>	<u>119,106</u>
Dues and subscriptions	1,161	109	813	470	32
Food	657	185	221	2,325	10,160
Insurance	51,942	13,554	13,504	97,821	14,416
Interest	-	-	11,110	-	-
Licenses and inspections	586	25	57	439	865
Maintenance	26,192	10,346	12,036	39,099	4,005
Medical	1,529	608	1,373	16,797	3,912
Miscellaneous	3,979	953	15,992	17,744	23,292
Office supplies and postage	2,536	264	621	7,180	498
Professional fees	3,355	-	2,498	9,390	2,775
Public awareness	2,167	823	3,491	4,967	77
Rent	12,434	1,350	21,832	12,891	1,684
Supplies	1,143	2,482	10,420	2,463	5,736
Telephone	15,395	2,626	6,408	33,683	3,126
Training	3,600	67	138	7,173	14,237
Transportation	21,278	3,604	2,776	3,450	1,511
Travel	5,373	481	3	44,717	165
Utilities	3,900	6,856	25,646	7,275	8,790
Total	<u>654,233</u>	<u>149,045</u>	<u>202,451</u>	<u>2,072,683</u>	<u>214,387</u>
Depreciation of buildings and equipment	<u>25,580</u>	<u>17,950</u>	<u>14,756</u>	<u>3,511</u>	<u>5,465</u>
Total functional expenses	\$ <u>679,813</u>	\$ <u>166,995</u>	\$ <u>217,207</u>	\$ <u>2,076,194</u>	\$ <u>219,852</u>

The accompanying notes are an integral part of these statements.

Supporting Services

<u>Early Intervention</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 129,419	\$ 2,483,893	\$ 254,343	\$ 44,096	\$ 298,439	\$ 2,782,332
9,533	188,973	19,682	3,497	23,179	212,152
3,769	28,990	5,472	926	6,398	35,388
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
142,721	2,701,856	279,497	48,519	328,016	3,029,872
948	3,533	13,649	36	13,685	17,218
97	13,645	2,118	-	2,118	15,763
6,271	197,508	34,600	1,747	36,347	233,855
-	11,110	-	-	-	11,110
126	2,098	170	-	170	2,268
2,519	94,197	20,270	3,994	24,264	118,461
156	24,375	2,763	3	2,766	27,141
387	62,347	12,407	407	12,814	75,161
1,003	12,102	7,952	4,577	12,529	24,631
15,560	33,578	61,813	519	62,332	95,910
1,923	13,448	23,008	273	23,281	36,729
51,661	101,852	23,488	8,209	31,697	133,549
161	22,405	1,997	382	2,379	24,784
3,643	64,881	1,392	4,034	5,426	70,307
2,305	27,520	428	1,017	1,445	28,965
-	32,619	-	-	-	32,619
1,338	52,077	1,042	323	1,365	53,442
1,885	54,352	13,564	-	13,564	67,916
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232,704	3,525,503	500,158	74,040	574,198	4,099,701
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11	67,273	6,584	196	6,780	74,053
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\$ 232,715	\$ 3,592,776	\$ 506,742	\$ 74,236	\$ 580,978	\$ 4,173,754

ARC of OUACHITA (dba ARCO)

**Statement of Functional Expenses
For the Year Ended June 30, 2017**

Program Services

	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>	<u>Supported Living</u>	<u>Mallard Home</u>
Salaries	\$ 445,184	\$ 102,249	\$ 77,310	\$ 1,696,077	\$ 126,321
Payroll taxes	37,944	7,991	752	131,775	10,049
Pension	3,639	282	-	15,461	1,396
Total salaries and related expenses	<u>486,767</u>	<u>110,522</u>	<u>78,062</u>	<u>1,843,313</u>	<u>137,766</u>
Dues and subscriptions	1,670	310	829	4,996	434
Food	858	1,102	258	2,976	12,624
Insurance	30,872	16,913	21,298	75,771	18,804
Interest	-	-	11,679	-	-
Licenses and inspections	400	-	55	434	823
Maintenance	10,106	25,036	12,063	37,015	4,509
Medical	1,876	1,406	1,816	13,083	11,920
Miscellaneous	3,432	2,668	16,587	17,466	25,097
Office supplies and postage	2,806	365	276	8,173	603
Professional fees	5,563	116	2,463	10,896	4,169
Public awareness	1,090	765	3,654	6,650	166
Rent	9,792	1,584	21,342	18,064	1,929
Supplies	753	1,760	7,302	(896)	4,841
Telephone	13,666	2,019	5,445	32,038	2,974
Training	2,750	206	148	6,221	19,871
Transportation	26,691	(13)	3,657	-	-
Travel	5,224	616	128	46,215	178
Utilities	2,870	6,735	22,943	8,439	8,333
Total	<u>607,186</u>	<u>172,110</u>	<u>210,005</u>	<u>2,130,854</u>	<u>255,041</u>
Depreciation of buildings and equipment	<u>9,688</u>	<u>18,682</u>	<u>20,824</u>	<u>8,415</u>	<u>5,344</u>
Total functional expenses	\$ <u>616,874</u>	\$ <u>190,792</u>	\$ <u>230,829</u>	\$ <u>2,139,269</u>	\$ <u>260,385</u>

The accompanying notes are an integral part of these statements.

Supporting Services

<u>Early Intervention</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 184,618	\$ 2,631,759	\$ 263,403	\$ 73,414	\$ 336,817	\$ 2,968,576
13,346	201,857	21,021	5,249	26,270	228,127
4,076	24,854	8,598	1,520	10,118	34,972
<u>202,040</u>	<u>2,858,470</u>	<u>293,022</u>	<u>80,183</u>	<u>373,205</u>	<u>3,231,675</u>
1,075	9,314	6,605	44	6,649	15,963
12	17,830	7,312	71	7,383	25,213
8,524	172,182	22,763	4,090	26,853	199,035
-	11,679	3	-	3	11,682
-	1,712	15	-	15	1,727
3,276	92,005	15,459	3,314	18,773	110,778
377	30,478	1,221	-	1,221	31,699
34	65,284	8,751	674	9,425	74,709
842	13,065	6,038	5,402	11,440	24,505
12,046	35,253	59,176	1,861	61,037	96,290
1,539	13,864	34,258	263	34,521	48,385
52,689	105,400	18,624	9,120	27,744	133,144
135	13,895	1,862	325	2,187	16,082
3,623	59,765	3,574	1,332	4,906	64,671
558	29,754	294	494	788	30,542
-	30,335	13	-	13	30,348
5,463	57,824	367	185	552	58,376
2,170	51,490	10,204	2,350	12,554	64,044
<u>294,403</u>	<u>3,669,599</u>	<u>489,561</u>	<u>109,708</u>	<u>599,269</u>	<u>4,268,868</u>
32	62,985	15,412	286	15,698	78,683
<u>\$ 294,435</u>	<u>\$ 3,732,584</u>	<u>\$ 504,973</u>	<u>\$ 109,994</u>	<u>\$ 614,967</u>	<u>\$ 4,347,551</u>

ARC of OUACHITA (dba ARCO)

Statements of Cash Flows

	For the Years Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Increase (decrease) in Net Assets	\$ (175,045)	\$ (21,830)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	74,053	78,683
Changes in assets and liabilities		
Accounts receivable	32,768	8,154
Other assets	905	(24,756)
Accounts payable and accrued expenses	(523)	(86,187)
Total Adjustments	107,203	(24,106)
Net cash provided (used) by operating activities	(67,842)	(45,936)
Cash Flows From Investing Activities		
Purchases of fixed assets	(44,661)	(88,384)
Proceeds from sales of assets	6,301	-
Net cash provided (used) by investing activities	(38,360)	(88,384)
Cash Flows From Financing Activities		
Payments on notes payable	(18,576)	(18,008)
Net cash provided (used) by financing activities	(18,576)	(18,008)
Net Increase (Decrease) in Cash	(124,778)	(152,328)
Cash at Beginning of Year	505,726	658,054
Cash at End of Year	\$ 380,948	\$ 505,726
Supplemental Disclosures		
Cash paid for interest	\$ 11,110	\$ 11,682
Non-Cash Investing & Operating Activities		
Revenue and expense of non-cash contribution	\$ 71,627	\$ 104,824

The accompanying notes are an integral part of these statements.

ARC of Ouachita (dba ARCO)
Notes To The Financial Statements
June 30, 2018

Note 1 - Description of Organization

The Association for Retarded Citizens/Ouachita (the Association) dba ARCO was established in 1954 to promote the general welfare of all persons with developmental disabilities within its service area which generally includes the Northeast portion of Louisiana. The programs are designed to assist and train clients to become independent citizens within the Association's service area. The principal programs consist of vocational training, residential living and early intervention.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with Generally Accepted Accounting Principles (GAAP). The financial statements of the Association are presented as recommended by the Financial Accounting Standards Board in ASC 958-205, *Not For Profit Entities-Presentation of Financial Statements*. Under ASC 958-205, the Association 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. At June 30, 2017 and 2016, the Association had no permanently restricted net assets. The Association's policy is to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

B. Contributions-Cash

In accordance with ASC 958-605, *Not For Profit Entities-Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958-605, such contributions are required to be reported as temporarily restricted support and then reclassified to unrestricted net assets upon satisfaction of the related restrictions.

C. Contributions-NonCash

Members, agencies, business firms, volunteers and others contribute substantial services toward the fulfillment of projects initiated by the Association. In addition, substantial goods are donated to the Association's store. No amounts have been recognized in the Statement of Activities for these contributions because the criteria for recognition under ASC 958-605 have not been satisfied. Other non-cash contributions of goods and services including rent have been recognized in the financial statements.

ARC of Ouachita (dba ARCO)
Notes To The Financial Statements
June 30, 2018

D. Accounts Receivable

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

E. Allocation and Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Association records its expenses in several ways: direct, indirect and central office overhead (COO). Direct costs are the total costs of direct support where staff is paid for only that program. Indirect costs are of two types. Level I indirect costs are salary expenses of an employee whose activities are shared between more than one program in the same department. Level II indirect costs are salary expenses shared between more than one department. COO expenses represent the Supporting Services costs.

F. Programs

The Association's principal programs and primary funding sources are:

Supported Employment – This income is derived primarily from the Louisiana Department of Health and Hospitals through two Medicaid Waivers, the NOW and the Supports Waiver. These funds are used to train clients in vocational and prevocational activities and supportive services. Also, some income is derived from the Louisiana Workforce Commission, Office of Louisiana Rehabilitative Services which specifically provides vocational training support to clients placed in jobs within the community.

Day Habilitation - provides meaningful non-work day activities to men and women and is funded by Medicaid's NOW and Supports Waivers as well.

Supported Work Contracts - Supported Work Contract's income is derived from cleaning and document destruction services by clients and the operations of the Sassy Kats clothing store.

ARC of Ouachita (dba ARCO)
Notes To The Financial Statements
June 30, 2018

Supported Living - Supported Living's primary income is derived from the Louisiana Department of Health and Hospitals Medicaid NOW Waiver. This home and community-based program helps the individual clients become more independent by providing support and training in their personal residences within the community. State funds for those without Medicaid Waivers are provided by the Office for Citizens with Developmental Disabilities, and some individuals are private pay.

Mallard Home – Mallard Home’s income is derived from the Louisiana Department of Health and Hospitals Intermediate Care Facility for the Developmentally Disabled (ICF/DD) Medicaid Program. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens. Typically, clients in Mallard Home are trained also in the Supported Employment program.

Early Intervention - Early Intervention's income is derived from the Louisiana Department of Health and Hospitals, United Way, grants, non-profit agencies, and charges for therapeutic services (private insurance). This program provides training and therapeutic services to disabled infants, ages 0-3 years. Additionally, ARCO serves a few children over the age of 3 years through private health insurance or private pay.

G. Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. The Association capitalizes all property value at \$1,000 or more and an estimated useful life of one year or more. Depreciation is computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	<u>Years</u>
Buildings	15 - 30
Furniture and Equipment	3 - 10
Vehicles	5

H. Compensated Absences

The Association’s vacation policy provides for the carryover of vacation to the subsequent year under special circumstances but that carryover is limited to a ceiling not to exceed 15 days. There was no vacation time to accrue for the years ended June 30, 2018 and 2017. Sick days may be accumulated to a maximum of 10 days; however, employees are not paid for any unused sick days upon termination and therefore an accrual for sick leave is not reflected in the financial statements.

ARC of Ouachita (dba ARCO)
Notes To The Financial Statements
June 30, 2018

I. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code. The Association is subject to income tax examinations by the IRS and the Louisiana Department of Revenue; however, there are currently no examinations in progress for any tax periods. The Association is subject to income tax examinations for the years ended June 30, 2013 and after.

J. Cash and Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, the Association considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

K. Accounting Estimates

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

L. Reclassifications

Minor reclassifications have been made to the financial statements to make them comparable to the current year presentation.

M. Subsequent Events

Management has evaluated subsequent events through December 31, 2018, the date which the financial statements were available to be issued and determined that no events occurred that require disclosure.

ARC of Ouachita (dba ARCO)
Notes To The Financial Statements
June 30, 2018

Note 3 - Cash

The Association's cash (bank balance) at June 30, 2018, was \$405,194 of which \$396,274 was covered by Federal Deposit Insurance Corporation and \$8,921 was unsecured.

Note 4 - Land, Buildings, and Equipment

Land, Buildings, and Equipment consisted of the following:

	June 30,	
	2018	2017
Buildings and Improvements	\$ 519,518	\$ 516,518
Furniture and Equipment	229,710	227,610
Vehicles	395,414	411,296
Land	98,138	98,138
Less: Accumulated Depreciation	(744,618)	(719,707)
Net Land, Building and Equipment	\$ 498,162	\$ 533,855

Included in vehicles above are four vehicles that were acquired through Federal grants along with 20% matching funds from the Association. The Association retains the use of these vehicles as long as they are kept, maintained and used for the Association's designated purpose. These vehicles are not to be sold or disposed of either during their useful life (5 years or 100,000 miles) or without the state's permission; therefore, these vehicles less the related accumulated depreciation are shown as temporarily restricted.

Note 5 - Notes Payable

In January 2014, the Association borrowed \$300,000 for the purchase and modification of a building for Shred operations. The Association refinanced the loan balance of \$257,704 in January 2016. The loan bears interest at 4.5% and is payable in 60 monthly installments of \$2,034 with a balloon payment of \$186,148 due January 25, 2021. The loan is secured by real estate. The amortization for this debt is as follows:

ARC of Ouachita (dba ARCO)
Notes To The Financial Statements
June 30, 2018

Year Ended June 30,	Principal	Interest	Payments
2019	\$ 14,577	\$ 9,836	\$ 24,413
2020	15,247	9,166	24,413
2021	195,364	5,025	200,389
Total	\$ 225,188	\$ 24,026	\$ 249,215

In April 2015, the Association borrowed \$23,839 for the purchase of a vehicle for Supported Work Contracts. The loan bears interest at 3.99% and is payable in 60 monthly installments of \$439. The loan is secured by the vehicle. The amortization for this debt is as follows:

Year Ended June 30,	Principal	Interest	Payments
2019	\$ 4,989	\$ 284	\$ 5,274
2020	4,519	80	4,519
Total	\$ 9,428	\$ 365	\$ 9,793

A letter of credit in the amount of \$100,000 was issued by Capital One Bank. It is secured by all funds on deposit with them and provides a variable simple interest rate to be adjusted monthly to one percent (1%) over the Wall Street Journal prime rate. There was no outstanding debt on this line of credit at June 30, 2017. The one-year line of credit is subject to automatic annual renewal in December of each year.

Note 6 - Temporarily Restricted Net Assets

The following summarizes net assets that are temporarily restricted

	June 30,	
	2018	2017
Accounts Receivable - United Way	\$ 150,900	\$ 179,624
Vehicles - DOTD	157,485	155,422
Less: Accumulated Depreciation	(45,878)	(57,152)
Total	\$ 262,507	\$ 277,894

ARC of Ouachita (dba ARCO)
Notes To The Financial Statements
June 30, 2018

Note 7 - Disclosures about Concentrations, Commitments and Contingencies

The Association receives the majority of its revenue based on contracts with various Federal and state agencies. These contracts are subject to review by the respective agencies which could result in disallowed costs. Additionally, funding levels are subject to review on a periodic basis by the grantor agencies, which could result in changes in funding levels.

Note 8 - Operating Leases

Total rent expense was \$133,549 and \$133,144 for the years ended June 30, 2018 and 2017, respectively. The Association has several lease commitments. However, these leases are either on a month-to-month basis or contain “funding-out” clauses which allow the agreements to be cancelled.

Note 9 - Tax Deferred Annuity Plan

The Association offers its employees a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Association. The Association will match up to 3% of gross salaries of qualified employees who elect to participate in the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Association contributed \$35,388 and \$34,972 on behalf of the participants for the years ended June 30, 2018 and 2017, respectively.

SUPPLEMENTAL INFORMATION

ARC of OUACHITA (dba ARCO)

**Combining Schedule of Financial Position
June 30, 2018**

Schedule 1

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supported Work Contracts</u>
Assets				
Cash	\$ 380,588	\$ -	\$ -	\$ 200
Accounts receivable				
Intergovernmental	-	36,657	15,559	-
Services	143	605	-	38,763
United Way	-	16,940	-	-
Other	23,893	-	-	-
Due from other funds	587,815	-	-	-
Land, building and equipment	391,876	124,889	118,575	382,727
Accumulated depreciation	(316,523)	(48,900)	(75,336)	(102,914)
Prepaid expenses	3,763	-	-	-
Other deposits	22,698	-	-	1,043
Total Assets	<u>\$ 1,094,253</u>	<u>\$ 130,191</u>	<u>\$ 58,798</u>	<u>\$ 319,819</u>
Liabilities and net assets				
Liabilities				
Accounts payable	\$ 19,191	\$ 5,224	\$ 1,128	\$ 3,169
Due to other funds	-	117,985	56,152	76,350
Accrued payroll and taxes	20,336	6,982	1,518	1,592
Deferred revenue	-	-	-	4,092
Notes payable	-	-	-	234,616
Total liabilities	<u>39,527</u>	<u>130,191</u>	<u>58,798</u>	<u>319,819</u>
Net Assets				
Unrestricted	792,219	-	-	-
Temporarily restricted	262,507	-	-	-
Total net assets	<u>1,054,726</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,094,253</u>	<u>\$ 130,191</u>	<u>\$ 58,798</u>	<u>\$ 319,819</u>

<u>Supported Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
\$ -	\$ 160	\$ -	\$ 380,948
198,231	23,181	4,806	278,434
15,378	768	-	55,657
-	-	134,043	150,983
-	-	-	23,893
-	-	-	587,815
80,821	118,488	25,404	1,242,780
(80,821)	(94,720)	(25,404)	(744,618)
-	-	-	3,763
<u>227</u>	<u>-</u>	<u>-</u>	<u>23,968</u>
<u>\$ 213,836</u>	<u>\$ 47,877</u>	<u>\$ 138,849</u>	<u>\$ 2,003,623</u>

\$ 9,580	\$ 7,183	\$ 2,087	\$ 47,562
174,219	34,251	128,858	587,815
30,037	2,140	2,674	65,279
-	4,303	5,230	13,625
<u>-</u>	<u>-</u>	<u>-</u>	<u>234,616</u>
<u>213,836</u>	<u>47,877</u>	<u>138,849</u>	<u>948,897</u>

-	-	-	792,219
-	-	-	262,507
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,054,726</u>
<u>\$ 213,836</u>	<u>\$ 47,877</u>	<u>\$ 138,849</u>	<u>\$ 2,003,623</u>

ARC of OUACHITA (dba ARCO)

**Combining Schedule of Activities
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017**

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supportive Work Contracts</u>
Support and Revenue				
Intergovernmental	\$ -	\$ 400,792	\$ 151,693	\$ -
Charges For Services	-	10,612	3,429	355,491
Contributions and Grants	70,828	36,627		2,124
United Way Allocation	-	16,940	-	-
Membership Dues	114,003	-	-	-
Contributions and Net Revenues from Special Events				
Contributions	14,791	-	-	-
Other Revenues	50,242	20	-	611
Total support and revenue	<u>249,864</u>	<u>464,991</u>	<u>155,122</u>	<u>358,226</u>
Expenses				
Depreciation and Amortization	419	26,472	18,217	14,756
Dues and Subscriptions	7,891	1,989	348	813
Food	1,936	683	192	221
Insurance	2,651	56,673	14,970	13,504
Interest	-	-	-	11,110
Licenses and Inspections	170	586	25	57
Maintenance	4,799	28,896	11,169	12,036
Medical	304	1,877	716	1,373
Miscellaneous	8,753	4,547	1,127	15,992
Office Supplies and Postage	7,250	3,269	482	621
Payroll Taxes	4,165	38,518	8,572	403
Pension	1,112	5,235	997	-
Professional Fees	2,216	11,869	2,618	2,498
Public Awareness	2,660	4,891	1,699	3,491
Rent	9,005	15,618	2,304	21,832
Salaries	52,724	491,116	106,479	73,109
Supplies	709	1,379	2,555	10,420
Telephone	2,117	15,862	2,767	6,408
Training	1,170	3,803	67	138
Transportation	-	21,278	3,604	2,776
Travel	476	5,499	516	3
Utilities	2,546	5,448	7,322	25,646
Total Expenses	<u>113,073</u>	<u>745,508</u>	<u>186,746</u>	<u>217,207</u>
Excess (Deficiency) of Revenues Over Expenses	136,791	(280,517)	(31,624)	141,019

<u>Supported Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total June 30,</u>	
			<u>2018</u>	<u>2017</u>
\$ 2,221,183	\$ 215,886	\$ 63,111	\$ 3,052,665	\$ 3,309,318
16,976	28,649	567	415,724	393,271
-	-	66,391	175,970	274,577
-	-	151,085	168,025	191,153
-	-	-	114,003	139,642
-	-	5,225	20,016	6,678
1,393	-	40	52,306	11,082
<u>2,239,552</u>	<u>244,535</u>	<u>286,419</u>	<u>3,998,709</u>	<u>4,325,721</u>
8,035	5,781	373	74,053	78,683
4,594	310	1,273	17,218	15,963
2,455	10,169	107	15,763	25,213
121,777	16,089	8,191	233,855	199,035
-	-	-	11,110	11,682
439	865	126	2,268	1,727
52,959	4,978	3,624	118,461	110,778
18,532	4,041	298	27,141	31,699
20,625	23,497	620	75,161	74,709
10,946	759	1,304	24,631	24,505
140,392	9,485	10,617	212,152	228,127
22,244	1,730	4,070	35,388	34,972
51,967	5,729	19,013	95,910	96,290
19,829	1,041	3,118	36,729	48,385
29,027	2,809	52,954	133,549	133,144
1,794,205	121,282	143,417	2,782,332	2,968,576
3,645	5,819	257	24,784	16,082
36,031	3,290	3,832	70,307	64,671
7,173	14,309	2,305	28,965	30,542
3,450	1,511	-	32,619	30,348
45,352	208	1,388	53,442	58,376
15,108	9,334	2,512	67,916	64,044
<u>2,408,785</u>	<u>243,036</u>	<u>259,399</u>	<u>4,173,754</u>	<u>4,347,551</u>
(169,233)	1,499	27,020	(175,045)	(21,830)

ARC of OUACHITA (dba ARCO)

**Combining Schedule of Activities (Concluded)
For the Year Ended June 30, 2018
With Comparative Totals for the Year Ended June 30, 2017**

Schedule 2

	<u>General Fund</u>	<u>Supported Employment</u>	<u>Day Habilitation</u>	<u>Supportive Work Contracts</u>
Other financing sources (uses)				
Operating Transfers In	-	280,517	31,624	-
Operating Transfers (Out)	<u>(311,836)</u>	<u>-</u>	<u>-</u>	<u>(141,019)</u>
Total Other Financing Sources (Uses)	<u>(311,836)</u>	<u>280,517</u>	<u>31,624</u>	<u>(141,019)</u>
Increase (Decrease) in Net Assets	(175,045)	-	-	-
Net Assets at Beginning of Year	<u>1,229,771</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets at End of Year	\$ <u>1,054,726</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The following central office overhead expenses (COO) have been reclassified from the various funds above and put in supporting services in order to reconcile to the presentation in the Statement of Activities.

	<u>Total Fund Expenses</u>	<u>COO Expenses</u>	<u>Statement of Activities</u>
Program services			
Supported employment	\$ 745,508	\$ (65,695)	\$ 679,813
Day habilitation	186,746	(19,751)	166,995
Supported work contracts	217,207	-	217,207
Supported living	2,408,785	(332,591)	2,076,194
Community home			
Mallard Home	243,036	(23,184)	219,852
Early Intervention	259,399	(26,684)	232,715
Total program services	<u>4,060,681</u>	<u>(467,905)</u>	<u>3,592,776</u>
Supporting services	<u>113,073</u>	<u>467,905</u>	<u>580,978</u>
Total supporting services	<u>113,073</u>	<u>467,905</u>	<u>580,978</u>
Total expenses	\$ <u>4,173,754</u>	\$ <u>-</u>	\$ <u>4,173,754</u>

<u>Supported/ Independent Living</u>	<u>Mallard Home</u>	<u>Early Intervention</u>	<u>Total June 30,</u>	
			<u>2018</u>	<u>2017</u>
169,233	(1,499)	(27,020)	452,855	294,903
<u>-</u>	<u>-</u>	<u>-</u>	<u>(452,855)</u>	<u>(294,903)</u>
169,233	(1,499)	(27,020)	-	-
-	-	-	(175,045)	(21,830)
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,229,771</u>	<u>1,251,601</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,726</u>	<u>\$ 1,229,771</u>

ARC of OUACHITA (dba ARCO)

**Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the year ended June 30, 2018**

Agency Head: Roma Kidd, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 64,802
Benefits - Retirement	\$ 1,944
Vehicle	\$ 268
Reimbursements	\$ 1,414
Conference Travel	\$ 282

**INDEPENDENT AUDITOR'S 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***

**The Board of Directors
ARC of OUACHITA (DBA ARCO)
Monroe, 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 Ouachita (dba ARCO)** (a not-for-profit organization – the Association), 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 the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (Finding 2018-001 through 2018-002).

**The Board of Directors
ARC of Ouachita (dba ARCO)**

Compliance and Other Matters

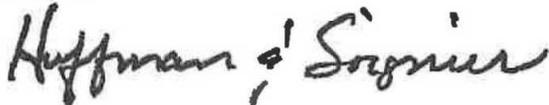
As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

The Association's Response to Findings

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



(A Professional Accounting Corporation)

December 31, 2018

**ARC of Ouachita (dba ARCO)
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

We have audited the financial statements of the Association of Retarded Citizens/Ouachita (the Association), as of and for the year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise the basic financial statements and have issued our report thereon dated December 31, 2018. We conducted our audit 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. Our audit of the financial statements as of June 30, 2018 resulted in an unmodified opinion.

2018-001 Internal Control Weaknesses – Accuracy of Recordkeeping (First reported – 2017)

Criteria or Specific Requirement

Management of the Association is charged with establishing and maintaining internal controls and assessing those controls for effectiveness in design and operation. Internal controls include such practices as ensuring all costs are recorded accurately along with documented reviews as to both the expense and the appropriate program service. Implementing controls and maintaining adequate documentation of such controls are characteristic of a sound internal control environment.

Condition Found

Transportation costs were maintained in a separate fund rather than being appropriately allocated to the various program services. The transportation costs had to be manually extracted and allocated to the various programs in order to arrive at the program services required for the annual financial statement presentation.

Cause

The deficiencies were caused by inadequate software management. Management was unable to reallocate the transportation costs in the software to the various programs.

Effect

Effects and possible effects include material misstatements not being prevented, or detected and corrected in the preparation of the annual financial statements.

Recommendations

Management should oversee that the transportation costs are maintained in such a manner as to allow allocation to the various programs.

Management's Response

Transportation costs were set up in a separate fund at the Executive Director's request so that a clear understanding of transportation costs could be articulated to government funders. These costs will be once again included in the software management of the

**ARC of Ouachita (dba ARCO)
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

various programs and broken out for the benefit of clarity of these costs relative to other costs on a separate spread sheet.

2018-002 Internal Control Weaknesses – Reconciliations (First reported – 2017)

Criteria or Specific Requirement

Management of the Association is charged with establishing and maintaining internal controls and assessing those controls for effectiveness in design and operation. Internal controls include such practices as ensuring proper segregation of duties, authorizing, approving and reviewing transactions, and performing reconciliations, along with documented reviews.

Condition Found

Reconciliations of revenue and receivable accounts are not being completed on a monthly basis to ensure accurate reports are provided to management.

- Intergovernmental revenues and receivables are not being reconciled between the billing system and the general ledger except quarterly making it difficult to identify errors due to the vast amount of data involved.
- There is no monthly reconciliation of fundraising, donations, memberships or grant revenues and receivables between the DonorPerfect system and the general ledger.
- Enterprise donations are likewise not being reconciled monthly between the DonorPerfect system and the general ledger.

Cause

The deficiencies were caused by internal controls operating ineffectively.

Effect

Effects and possible effects include material misstatements not being prevented, or detected and corrected in the normal course of management or employees performing their assigned functions.

Recommendations

The design and operations of internal controls should ensure for accurate recording of costs along with documented reviews.

Management's Response

Reconciliations will be performed in a timely manner to assure accuracy of billings and the general ledger.

**ARC of Ouachita (dba ARCO)
MONROE, LOUISIANA
SUMMARY STATUS OF PRIOR YEAR FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

The following is a summary of the status of the prior year findings included in Huffman & Soignier's (APAC) audit report dated December 29, 2017, covering the audit of the financial statements of the ARC of Ouachita (dba ARCO) (the Association), as of and for the year ended June 30, 2018.

2017-001 Internal Control Weaknesses – Accuracy of Recordkeeping

Condition Found

Central Office Overhead (COO) costs were appropriately allocated to the various program services monthly but the costs were not coded as COO allowing for direct extraction. The COO monthly journal entries had to be manually extracted and accumulated in order to arrive at the supporting services required for the annual financial statement presentation.

Status

All COO expenses are now identified and coded accordingly upon entry into the accounting system but transportation costs could not be allocated across programs (refer to 2018-001).

2017-002 Internal Control Weaknesses – Reconciliations

Condition Found

Reconciliations of revenue and receivable accounts are not being completed on a monthly basis to ensure accurate reports are provided to management.

- Intergovernmental revenues and receivables are not being reconciled between the billing system and the general ledger except annually making it difficult to identify errors due to the vast amount of data involved.
- There is no monthly reconciliation of fundraising, donations, memberships or grant revenues and receivables between the DonorPerfect system and the general ledger. When the accounts were reviewed internally at year end, there were considerable differences in classifications. For the year ended June 30, 2017, the auditors identified two donations totaling \$15,000 that were misclassified to donations instead of United Way.
- Enterprise donations are likewise not being reconciled monthly between the DonorPerfect system and the general ledger and the documentation given to the donor at the time of the donation is not prenumbered.

Status

The operational system was operating to allow for quarterly reconciliations but monthly reconciliations were not being performed (refer to 2018-002).