

TARC, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

TARC, INC.

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JUNE 30, 2022 AND 2021

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BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
TARC, Inc.
Hammond, Louisiana

Opinion

We have audited the accompanying financial statements of TARC, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TARC, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TARC, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TARC Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TARC, Inc. 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TARC, Inc. 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of TARC, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TARC, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TARC, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bernard & Franks".

Metairie, Louisiana
November 28, 2022

FINANCIAL STATEMENTS

TARC, INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,077,097	\$ 887,026
Accounts receivable	149,695	129,015
Unconditional promises to give	3,745	9,290
Prepaid expenses	-	12,686
Total current assets	\$ 1,230,537	\$ 1,038,017
LONG-TERM ASSETS		
Investments	\$ 76,813	\$ 84,230
Investments-certificate of deposit	85,941	85,941
Total long-term assets	\$ 162,754	\$ 170,171
LAND, PROPERTY AND EQUIPMENT		
Less accumulated depreciation	\$ 775,644	\$ 784,675
Total land, property and equipment	(470,670)	(472,674)
	\$ 304,974	\$ 312,001
OTHER ASSETS		
Lease value of land and building	\$ 350,000	\$ 350,000
Total assets	\$ 2,048,265	\$ 1,870,189

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 18,936	\$ 13,785
Other payables	46,966	56,834
Accrued salaries and payroll taxes	106,240	96,396
Current maturities of note payable	9,653	5,748
Total current liabilities	<u>\$ 181,795</u>	<u>\$ 172,763</u>
LONG-TERM LIABILITIES		
Notes payable	\$ 46,291	\$ 104,842
Total long-term liabilities	<u>\$ 46,291</u>	<u>\$ 104,842</u>
Total liabilities	<u>\$ 228,086</u>	<u>\$ 277,605</u>
NET ASSETS		
Without donor restrictions		
Undesignated	\$ 1,470,179	\$ 1,242,584
With donor restrictions	350,000	350,000
Total net assets	<u>\$ 1,820,179</u>	<u>\$ 1,592,584</u>
Total liabilities and net assets	<u>\$ 2,048,265</u>	<u>\$ 1,870,189</u>

See Notes to Financial Statements.

TARC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Medicaid	\$ 2,918,707	\$ -	\$ 2,918,707
Fund-raising	420,614	-	420,614
Federal grant -provider relief funds	106,269	-	106,269
Contributions	35,029	-	35,029
In kind contributions	51,200	-	51,200
Other income	32,577	-	32,577
Investment loss	(5,535)	-	(5,535)
Insurance proceeds for business interruption	53,671	-	53,671
Casualty gain on damage to building	84,930	-	84,930
Memberships	1,925	-	1,925
Total revenues, gains and other support	<u>\$ 3,699,387</u>	<u>\$ -</u>	<u>\$ 3,699,387</u>
EXPENSES			
Program services			
Community support services	\$ 2,852,214	\$ -	\$ 2,852,214
Adult day habilitation	180,464	-	180,464
Early intervention	67,184	-	67,184
Support services			
Management and general	142,941	-	142,941
Fund-raising	228,989	-	228,989
Total expenses	<u>\$ 3,471,792</u>	<u>\$ -</u>	<u>\$ 3,471,792</u>
Change in net assets	\$ 227,595	\$ -	\$ 227,595
Net assets at beginning of year	<u>1,242,584</u>	<u>350,000</u>	<u>1,592,584</u>
Net assets at end of year	<u>\$ 1,470,179</u>	<u>\$ 350,000</u>	<u>\$ 1,820,179</u>

See Notes to Financial Statements.

TARC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Medicaid	\$ 3,016,726	\$ -	\$ 3,016,726
Fund-raising	375,314	-	375,314
Federal grant -provider relief funds	60,750	-	60,750
Contributions	71,548	-	71,548
In kind contributions	51,200	-	51,200
Other income	39,852	-	39,852
Investment income	4,163	-	4,163
Gain on sale of assets	2,100	-	2,100
Memberships	500	-	500
Total revenues, gains and other support	<u>\$ 3,622,153</u>	<u>\$ -</u>	<u>\$ 3,622,153</u>
EXPENSES			
Program services			
Community support services	\$ 3,143,385	\$ -	\$ 3,143,385
Adult day habilitation	89,348	-	89,348
Early intervention	66,839	-	66,839
Support services			
Management and general	105,085	-	105,085
Fund-raising	218,039	-	218,039
Total expenses	<u>\$ 3,622,696</u>	<u>\$ -</u>	<u>\$ 3,622,696</u>
Change in net assets	\$ (543)	\$ -	\$ (543)
Net assets at beginning of year	<u>1,243,127</u>	<u>350,000</u>	<u>1,593,127</u>
Net assets at end of year	<u>\$ 1,242,584</u>	<u>\$ 350,000</u>	<u>\$ 1,592,584</u>

See Notes to Financial Statements.

TARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services		Total
	Community Support Services	Adult Day Habilitation	Early Intervention	Management and General	Fund-raising	
Salaries and related expenses:						
Salaries	\$ 2,244,224	\$ 117,760	\$ 55,793	\$ 45,627	\$ 67,220	\$ 2,530,624
Employee benefits & taxes	279,641	16,415	4,494	509	7,707	308,766
Workers' compensation	46,509	2,586	146	11	580	49,832
	<u>\$ 2,570,374</u>	<u>\$ 136,761</u>	<u>\$ 60,433</u>	<u>\$ 46,147</u>	<u>\$ 75,507</u>	<u>\$ 2,889,222</u>
Advertisement	\$ -	\$ -	\$ -	\$ -	\$ 693	\$ 693
Bank charges	-	-	-	1,606	-	1,606
Client supplies	196	-	-	5,170	-	5,366
Computer supplies	21,959	1,514	505	4,300	1,262	29,540
Contract employee	1,793	128	43	64	107	2,135
Covid-19 expenses	-	-	-	5,624	-	5,624
Donations	-	-	-	-	2,050	2,050
Depreciation	40,564	2,897	966	1,449	2,415	48,291
Dues and subscriptions	4,861	240	80	120	1,939	7,240
Employee meals and supplies	-	-	-	19,303	-	19,303
Equipment	481	34	11	17	29	572
Fees and licenses	800	73	-	7,000	650	8,523
Fund-raising supplies	-	-	-	-	15,999	15,999
Hiring	4,875	226	-	129	-	5,230
Housekeeping	1,476	105	43	53	88	1,765
Information guide and calendar	-	-	-	538	-	538
Insurance						
Liability	14,683	1,049	350	524	3,699	20,305
Directors and officers	-	-	-	3,303	-	3,303
Motor vehicle	-	10,184	-	-	-	10,184
Interest	-	-	-	9,846	-	9,846
Miscellaneous	2,483	615	102	26,441	67	29,708
Office supplies	9,322	688	175	174	378	10,737
Postage	2,007	142	60	128	118	2,455
Professional services	16,350	1,168	389	6,854	23,043	47,804
Program supplies	8,392	64	-	-	-	8,456
Rent	43,008	3,072	1,024	1,536	88,060	136,700
Repairs and maintenance	32,459	1,952	651	976	10,261	46,299
Telephone and internet services	15,013	1,431	556	471	392	17,863
Travel and transportation	38,210	16,673	1,047	460	23	56,413
Seminars and training	3,923	92	297	30	1,079	5,421
Utilities	18,985	1,356	452	678	1,130	22,601
	<u>\$ 281,840</u>	<u>\$ 43,703</u>	<u>\$ 6,751</u>	<u>\$ 96,794</u>	<u>\$ 153,482</u>	<u>\$ 582,570</u>
Total expenses	<u>\$ 2,852,214</u>	<u>\$ 180,464</u>	<u>\$ 67,184</u>	<u>\$ 142,941</u>	<u>\$ 228,989</u>	<u>\$ 3,471,792</u>

See Notes to Financial Statements.

TARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services		Total
	Community Support Services	Adult Day Habilitation	Early Intervention	Management and General	Fund-raising	
Salaries and related expenses:						
Salaries	\$ 2,511,286	\$ 45,406	\$ 50,998	\$ 43,568	\$ 69,709	\$ 2,720,967
Employee benefits & taxes	288,432	11,242	9,295	644	7,855	317,468
Workers' compensation	64,016	808	142	12	615	65,593
	<u>\$ 2,863,734</u>	<u>\$ 57,456</u>	<u>\$ 60,435</u>	<u>\$ 44,224</u>	<u>\$ 78,179</u>	<u>\$ 3,104,028</u>
Advertisement	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 250
Bank charges	-	-	-	1,062	-	1,062
Client supplies	4,016	-	-	3,533	-	7,549
Computer supplies	21,198	1,558	492	3,111	1,230	27,589
Covid-19 expenses	1,884	-	-	6,021	-	7,905
Donations	-	-	-	-	1,250	1,250
Depreciation	39,116	2,794	931	1,397	2,328	46,566
Dues and subscriptions	3,534	142	47	71	2,221	6,015
Equipment	4,017	1,047	79	118	197	5,458
Fees and licenses	200	-	-	5,184	-	5,384
Fund-raising	-	-	-	-	11,024	11,024
Hiring	4,676	336	1	106	64	5,183
Housekeeping	1,417	101	34	51	84	1,687
Information guide and calendar	-	-	-	639	-	639
Insurance						
Liability	11,037	788	263	394	5,032	17,514
Directors and officers	-	-	-	3,084	-	3,084
Motor vehicle	-	7,745	-	-	-	7,745
Interest	-	-	-	6,320	-	6,320
Miscellaneous	9,751	684	74	25,057	123	35,689
Motor vehicle expenses	-	-	-	-	44	44
Office supplies	9,816	1,189	354	196	879	12,434
Postage	2,899	210	82	136	167	3,494
Professional services	15,972	1,141	380	570	15,951	34,014
Program supplies	7,485	1,085	-	-	-	8,570
Rent	43,008	3,072	1,024	1,536	94,260	142,900
Repairs and maintenance	23,322	1,628	543	814	1,857	28,164
Taxes	-	-	-	-	386	386
Telephone and internet services	15,919	1,721	437	287	478	18,842
Travel and transportation	35,767	5,435	1,205	564	74	43,045
Seminars and training	7,858	19	59	10	963	8,909
Utilities	16,759	1,197	399	600	998	19,953
	<u>\$ 279,651</u>	<u>\$ 31,892</u>	<u>\$ 6,404</u>	<u>\$ 60,861</u>	<u>\$ 139,860</u>	<u>\$ 518,668</u>
Total expenses	<u>\$ 3,143,385</u>	<u>\$ 89,348</u>	<u>\$ 66,839</u>	<u>\$ 105,085</u>	<u>\$ 218,039</u>	<u>\$ 3,622,696</u>

See Notes to Financial Statements.

TARC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 227,595	\$ (543)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	48,291	46,566
Unrealized (gain) loss on investments	6,104	(1,212)
(Gain) loss on disposal/sale of property and equipment	(84,930)	278
(Increase) decrease in operating assets		
Accounts receivable	(20,680)	67,002
Promises to give	5,545	(5,924)
Prepaid expenses	12,686	(11,681)
Increase (decrease) in operating liabilities:		
Accounts payable	5,151	(14,253)
Other payables	(9,868)	11,218
Accrued salaries and payroll taxes	9,844	(31,987)
Net cash provided by operating activities	\$ 199,738	\$ 59,464
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	\$ (41,264)	\$ (78,972)
Proceeds from insurance company on casualty loss	84,930	-
Disposal/sale of property and equipment	-	11,100
Purchase of investments	1,313	(11,959)
Net cash used in investment activities	\$ 44,979	\$ (79,831)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	\$ (54,646)	\$ (6,960)
Net cash used in financing activities	\$ (54,646)	\$ (6,960)
 Net increase (decrease) in cash and cash equivalents	\$ 190,071	\$ (27,327)
 Beginning cash and cash equivalents	\$ 887,026	\$ 914,353
 Ending cash and cash equivalents	\$ 1,077,097	\$ 887,026
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 9,846	\$ 6,320

See Notes to Financial Statements.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

TARC, Inc. (the Organization) is a non-profit organization that provides opportunities for children and adults with disabilities to realize their full potential, and to become self-directed and contributing citizens. The services the Organization provides to achieve this goal are as follows:

Community Support Services - Provides home and community-based support and services to individuals and families with developmental disabilities. Direct support professionals provide physical assistance to individuals with special needs. The services include hands-on assistance with daily living skills, hygiene, health and safety needs, and socialization skills.

Adult Day Habilitation - Teaches skills such as, computer, life, safety, health and wellness, gardening, and community integration skills for adults with special needs.

Early Intervention - Serves children from birth to three years old who are eligible to be at risk or special need that may affect their development. Early intervention consists in the provision of services for such children and their families for the purpose of lessening the effects of the condition. Early intervention can be remedial or preventive in nature—remediation of existing developmental problems or preventing their occurrence.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated these funds be maintained in perpetuity.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Accounts Receivable and Pledges

Accounts receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances that may affect the collectability of funds.

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Conditional promises to give are not recognized until they become unconditional; that is, when the donor-imposed conditions are substantially met. Assets that were transferred to the Organization in connection with a conditional promise to give should be recorded as a refundable advance unless the donor conditions are met as of the acquisition date.

In management's opinion no allowance for doubtful accounts is necessary at June 30, 2022 and 2021.

Certificates of deposit

Certificates of deposit held for investment that are not debt securities are included in "investments-certificate of deposit". The certificate of deposit has a remaining maturity greater than one year and is classified as long-term investments-certificate of deposit.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

All assets acquired having a cost or estimated fair value equal to or greater than \$500 and an estimated useful life of over five years are capitalized and depreciated. Buildings, land, vehicles, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation of all exhaustible fixed assets is charged as an expense. Depreciation has been calculated using the straight-line method.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities. The Organization holds investments in mutual funds, exchange traded and closed end funds (Level 1 measurement) and municipal bonds (Level 2 measurement). The unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The Organization receives a significant amount of contributed time from volunteers that does not meet the recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. The Organization receives donated services in the form of Board of Directors and committee members and event volunteers. The hours contributed is estimated by management to be 210 hours valued at \$3,150 for the year ended June 30, 2022.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization's Form 990, *Return of Bureau Exempt from Income Tax*, for the years ended June 30, 2020-2022 are subject to examination by the IRS, generally for three years after they were filed.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the years ended June 30, 2022 and 2021, were \$693 and \$250, respectively.

Implementation of New Accounting Standard

In September 2020, the FASB issued Accounting Standards Update Number 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to bring more transparency and consistency to the presentation and disclosure of gifts-in-kind. While many not-for-profits already separately report gifts-in-kind and make some of the disclosures required by ASU 2020-07, the new standard will bring presentation and disclosure consistency across not-for-profits. The Organization has implemented the new standard for the year ended June 30, 2022.

New Accounting Pronouncements

The FASB issued Accounting Standards Update Number, 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenues and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization is currently evaluating the impact of the guidance on its financial statements and plans to adopt this update by the effective date.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (continued)

The FASB issued Accounting Standards Update Number 2016-02 affecting ASC 842, *Leases*, which provides guidance for any organization that enters a lease (as defined in this Update), with some specified scope exemptions. The guidance in this Update supersedes ASC 840 *Leases*. The primary objective of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The Organization is currently evaluating the impact of the guidance on its financial statements and plans to adopt this update by the effective date.

NOTE 2. CERTIFICATE OF DEPOSIT

The certificate of deposit balance at June 30, 2022 and 2021, held with First Guaranty Bank, was \$85,941. The certificate was opened on October 2, 2018 and yields a 1% interest rate per annum. The certificate matures on February 2, 2025.

NOTE 3. CONCENTRATIONS OF CREDIT RISK

The Organization maintains several bank accounts at various banks located in Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000. Cash at these institutions exceeded FDIC limits by \$0 and \$574,017 for June 30, 2022 and 2021, respectively.

NOTE 4. UNCONDITIONAL PROMISE TO GIVE

The unconditional promises to give consisted of radiothon pledges in the amount of \$3,745 and \$9,290 for the years ended June 30, 2022 and 2021, respectively. The unconditional promises to give is receivable in the next fiscal year. All amounts are deemed collectible by management, therefore no allowance for doubtful accounts is necessary.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2022	2021
Land	\$ 47,065	\$ 47,065
Buildings & improvements	496,093	508,638
Furniture & fixtures	232,486	228,972
	<u>775,644</u>	<u>784,675</u>
Less: Accumulated depreciation	(470,670)	(472,674)
Total land, property and equipment	<u>\$ 304,974</u>	<u>\$ 312,001</u>

Depreciation expense was \$48,291 and \$46,566 for the years ended June 30, 2022 and 2021, respectively

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6. INVESTMENTS

Long-term investments are carried at fair value and consist of the following:

	2022	2021
Municipal bonds	\$ 9,909	\$ 25,709
Mutual funds	44,207	46,385
Exchange traded and closed end funds	22,697	12,136
	\$ 76,813	\$ 84,230

The following schedule summarizes the investment return in the statement of activities:

	2022	2021
Unrealized gain or (loss) on bonds	\$ (5,265)	\$ 705
Realized gain (loss)	(839)	507
Interest and dividends	569	2,951
Total	\$ (5,535)	\$ 4,163

NOTE 7. CONCENTRATIONS OF REVENUE SOURCE

For the years ended June 30, 2022 and 2021, the Organization received 78% and 83% of its revenue from Medicaid, which is administered by the State of Louisiana. If significant budget cuts are made at the federal and/or state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations. As of November 28, 2022, management was not aware of any actions taken that would adversely affect the amount of Federal or State funds the Organization will receive in the upcoming fiscal year.

NOTE 8. FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8. FAIR VALUE MEASUREMENTS (Continued)

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The asset's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When available, valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021:

Municipal bonds: The fair value of municipal bonds is calculated using recent trade activity, market price quotations and new issuance levels. In the absence of this information, fair value is calculated using comparable bond credit spreads. Current interest rates, credit events, and individual bond characteristics such as coupon, call features, maturity, and revenue purpose are considered in the valuation process.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the U.S. Security Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Investments in exchange traded and closed end funds: Investments in exchange traded funds are valued using a market approach based on the quoted market prices, where available, or broker/dealer quotes of identical or comparable instruments.

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2022 and 2021.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, of the Organization's assets measured at fair value for the years ended June 30, 2022 and 2021:

Recurring fair value measurements for the year ended June 30, 2022:	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal bonds	\$ 9,909	\$ -	\$ 9,909	\$ -
Mutual funds	44,207	44,207	-	-
Exchange Traded & Closed End Funds	22,697	22,697	-	-
	<u>\$ 76,813</u>	<u>\$ 66,904</u>	<u>\$ 9,909</u>	<u>\$ -</u>

Recurring fair value measurements for the year ended June 30, 2021:	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Municipal bonds	\$ 25,709	\$ -	\$ 25,709	\$ -
Mutual funds	46,385	46,385	-	-
Exchange Traded & Closed End Funds	12,136	12,136	-	-
	<u>\$ 84,230</u>	<u>\$ 58,521</u>	<u>\$ 25,709</u>	<u>\$ -</u>

NOTE 9. PROPERTY LEASE

The Organization maintains a cancellable lease for the space that it occupies for bingo fund-raising sessions. Rental expense for the hall is \$475 per session. The Organization is also responsible for providing bingo supplies. Rental expense for the years ended June 30, 2022 and 2021 was \$85,500 and \$91,700, respectively.

NOTE 10. DONATED FACILITIES

TARC, Inc. entered into a lease agreement with the State of Louisiana on October 19, 2003 for 25 years, in which the Organization had free use of a 6,400 square foot building. The consideration was the mutual benefit, advantages, and convenience to be derived by the public in the operation of the Organization. The present value of the building is reflected on the statement of financial position at \$350,000, which is less than the fair market value. The fair value rental expense is \$51,200 annually, which is recorded as an in-kind contribution on the Statement of Activities and Statement of Functional Expenses.

NOTE 11. ACCRUED VACATION AND LEAVE

The Organization accrues vacation and leave at various rates and number of days for long term employees. Accrued vacation and leave for the years ended June 30, 2022 and 2021 was \$4,454 and \$1,817.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12. LONG- TERM DEBT

The Organization has a note payable to Regions Bank which requires monthly principal and interest payments of \$1,086 and is due on December 1, 2033. This note payable is secured by the Organization's administrative building. The following schedules are a summary of long-term liability as of June 30, 2022 and 2021:

Description	June 30, 2022	Interest Rate	Current Portion	Long Term
Regions Loan	\$ 55,944	6.25%	\$ 9,653	\$ 46,291

Description	June 30, 2021	Interest Rate	Current Portion	Long Term
Regions Loan	\$ 110,590	6.25%	\$ 5,748	\$ 104,842

The following principal amounts on the loan are due over the next five years and thereafter:

Year ended June 30, 2022	Amount
2023	\$ 9,653
2024	10,428
2025	11,106
2026	11,820
2027	12,937
Total	<u>\$ 55,944</u>

Interest expense for the years ended June 30, 2022 and 2021 was \$9,846 and \$6,320, respectively.

NOTE 13. FEDERAL FINANCIAL ASSISTANCE

The Organization has been awarded grants from the U.S. Department of Health and Human Services to provide relief due to COVID-19. The grant is recognized as the required services are performed, and expenses are recognized as incurred. Grant activity for the years ended June 30, 2022 and 2021, was as follows:

	2022	2021
Refundable advances, beginning of year	\$ -	\$ -
Grant receipts	106,269	60,750
Grant expenditures	(106,269)	(60,750)
Refundable advances, end of year	<u>\$ -</u>	<u>\$ -</u>

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14. LINE OF CREDIT

The Organization has a \$85,000 line of credit bearing interest at a fixed rate of 3.50% and 5.25%, and is secured by a certificate of deposit for the years ended June 30, 2022 and 2021, respectively. The balance due for the years ended June 30, 2022 and 2021 was \$0. Interest expense was \$1,086 and \$1,354, for the years ended June 30, 2022 and 2021, respectively.

The Organization also has a second line of credit for \$50,000 that was unused for the years ended June 30, 2022 and 2021. The line of credit bears an interest rate of 7.25%.

NOTE 15. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following financial assets are available within one year of the statement of financial position date for general expenditures:

	2022	2021
Cash and cash equivalents	\$ 1,077,097	\$ 887,026
Accounts receivable	149,695	129,015
Unconditional promise to give	3,745	9,290
	\$ 1,230,537	\$ 1,025,331

None of the financial assets listed above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As described in Note 13, the Organization also has two lines of credit in the amounts of \$85,000 and \$50,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 16. NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2022 and 2021, TARC, Inc. had \$350,000 in net assets with donor restrictions related to the lease value of land and building.

NOTE 17. EFFECTS OF HURRICANE IDA

Hurricane Ida affected the Gulf Coast Regions of Louisiana on August 29, 2021, affecting the Organization's operations and causing significant damage to the administrative and adult day habilitation buildings. The damages to the facilities and loss of business operations were substantially covered by property insurance less any applicable deductible amounts.

NOTE 18. RELATED PARTY TRANSACTIONS

The Organization's contracted certified public accountant who assists in monthly accounting is a member of the Board of Directors. Amounts paid to the member for June 30, 2022 and 2021, were \$6,600 and \$6,750 respectively.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 19. COMPENSATION

The Board of Directors serves TARC, Inc. without compensation.

NOTE 20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2022, the date which the financial statements were available for use. Management's evaluation revealed no subsequent events that require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

TARC, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO THE CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2022

Chief Executive Officer: Michael Latino

Salary	\$ 66,560
Benefits-term life and AD&D	211
Cell phone	567
Dues	800
Meals	1,124
Travel-mileage	328
	<u>\$ 69,590</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

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

To the Board of Directors and Management of
TARC, Inc.
Hammond, 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 TARC, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TARC, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 TARC, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of TARC, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether TARC, Inc.'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 financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



November 28, 2022
Metairie, Louisiana

TARC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of TARC, Inc., which was prepared in accordance with generally accepted accounting principles 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.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements as reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed as reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with *Government Auditing Standards*.
4. No management letter was issued for the year ended June 30, 2022.
5. TARC, Inc., did not expend more than \$750,000 in federal awards during the year ended June 30, 2022, and therefore, is exempt from the audit requirements under the *Uniform Guidance*.

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements for the year ended June 30, 2022.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This is not applicable to the Organization for the year ended June 30, 2022.

REPORTS BY MANAGEMENT

TARC, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

There were no prior year audit findings for the year ended June 30, 2021.