

The Arc of Louisiana  
Baton Rouge, Louisiana

AUDITED FINANCIAL STATEMENTS  
June 30, 2020 and 2019



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*CPAs & Financial Advisors*

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CPAs & Financial Advisors

To the Board of Directors of  
The Arc of Louisiana  
Baton Rouge, Louisiana

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the Arc of Louisiana (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arc of Louisiana as of June 30, 2020 and 2019, 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.

### Emphasis of Matter

As discussed in Note 10 to the financial statements, the June 30, 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, reimbursements, benefits, and other payments to a agency head, political subdivision head, or chief executive officer, as required by Louisiana Revised Statute 24:513(A)(3), 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 January 31, 2021, on our consideration of the Arc of Louisiana's internal control over financial reporting and on our test 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 the Arc of Louisiana'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 the Arc of Louisiana's internal control over financial reporting and compliance.

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CPAs & Financial Advisors  
Baton Rouge, Louisiana  
January 31, 2021



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The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION  
(See Notes to Financial Statements)  
June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 388,597	\$ 459,401
Contracts Receivable	329,159	225,422
Due from Foundation	59,733	37,632
Receivables - Other	118	64
Prepaid Expenses	55	2
	<u>777,662</u>	<u>722,521</u>
<b>TOTAL CURRENT ASSETS</b>	<b>777,662</b>	<b>722,521</b>
<b>BENEFICIAL INTEREST IN THE FOUNDATION</b>	<b>1,622,596</b>	<b>1,678,017</b>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and Equipment	67,420	67,420
Less: Accumulated Depreciation	<u>(67,420)</u>	<u>(67,420)</u>
Net Furniture and Equipment	<u>-</u>	<u>-</u>
	<u>\$ 2,400,258</u>	<u>\$ 2,400,538</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,400,258</b>	<b>\$ 2,400,538</b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 19,891	\$ 67,089
Payroll Liabilities	28,067	24,609
Other Liabilities	<u>16,253</u>	<u>6,613</u>
	64,211	98,311
<b>TOTAL CURRENT LIABILITIES</b>	<b>64,211</b>	<b>98,311</b>
<b>LONG-TERM LIABILITIES</b>		
Micro-enterprise Loan and SBA PPP Loan	<u>68,215</u>	<u>15,715</u>
	68,215	15,715
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>68,215</b>	<b>15,715</b>
	132,426	114,026
<b>TOTAL LIABILITIES</b>	<b>132,426</b>	<b>114,026</b>
<b>NET ASSETS:</b>		
Without Donor Restrictions		
Unrestricted	1,048,622	1,067,302
Board Designated Endowment	<u>1,219,210</u>	<u>1,219,210</u>
Total Without Donor Restrictions	<u>2,267,832</u>	<u>2,286,512</u>
	2,267,832	2,286,512
<b>TOTAL NET ASSETS</b>	<b>2,267,832</b>	<b>2,286,512</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,400,258</b>	<b>\$ 2,400,538</b>



The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Public Support	\$ 43,360	\$ -	\$ 43,360
Contract Revenue	1,197,471	-	1,197,471
Program Service Revenue	71,545	-	71,545
Interest Income	84	-	84
Change in Net Assets of the Foundation	(55,421)	-	(55,421)
Miscellaneous	6,635	-	6,635
	1,263,674	-	1,263,674
Total Support and Revenue			
Net Assets Released From Restrictions	-	-	-
	1,263,674	-	1,263,674
Total Unrestricted Revenues and Support			
<b>EXPENSES</b>			
Program Services	1,005,279	-	1,005,279
Management and General	277,075	-	277,075
	1,282,354	-	1,282,354
Total Expenses			
Changes in Net Assets	(18,680)	-	(18,680)
Net Assets - Beginning of Year	2,286,512	-	2,286,512
Prior Period Adjustment	-	-	-
Net Assets- Beginning of Year, as Restated	2,286,512	-	2,286,512
Net Assets - End of Year	\$ 2,267,832	\$ -	\$ 2,267,832

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 43,179	\$ -	\$ 43,179
1,169,471	-	1,169,471
102,483	-	102,483
98	-	98
95,414	-	95,414
5,196	-	5,196
1,415,841	-	1,415,841
-	-	-
1,415,841	-	1,415,841
1,021,006	-	1,021,006
259,578	-	259,578
1,280,584	-	1,280,584
135,257	-	135,257
932,045	1,219,210	2,151,255
1,219,210	(1,219,210)	-
2,151,255	-	2,151,255
<u>\$ 2,286,512</u>	<u>\$ -</u>	<u>\$ 2,286,512</u>



The ARC of Louisiana  
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Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2020 and 2019

	2020			
EXPENSES	Program Services	Management and General	Fundraising	Total
Conventions	\$ -	\$ 5,308	\$ -	\$ 5,308
Depreciation and Amortization	-	-	-	-
Direct Program Services	816,167	-	-	816,167
Dues and Subscriptions	-	7,831	-	7,831
Employee Benefits	11,051	17,023	-	28,074
Insurance Expense	-	2,482	-	2,482
Janitorial Services	762	762	-	1,524
Marketing	-	1,202	-	1,202
Meetings	-	1,698	-	1,698
Miscellaneous	-	1,633	-	1,633
Payroll Taxes	8,378	11,861	-	20,239
Postage	263	263	-	526
Professional Services	25,073	18,191	-	43,264
Rental Expense	19,320	19,319	-	38,639
Repairs and Maintenance	5,868	7,139	-	13,007
Salaries	96,819	162,538	-	259,357
Supplies and Printing	1,228	1,303	-	2,531
Telephone	3,226	3,176	-	6,402
Training	11,563	5,175	-	16,738
Travel	2,338	6,949	-	9,287
Utilities	3,223	3,222	-	6,445
	\$ 1,005,279	\$ 277,075	\$ -	\$ 1,282,354



2019

Program Services	Management and General	Fundraising	Total
\$ -	\$ 5,352	\$ -	\$ 5,352
166	55	-	221
756,339	-	-	756,339
-	8,090	-	8,090
10,340	20,373	-	30,713
-	2,466	-	2,466
1,010	1,009	-	2,019
-	867	-	867
271	1,942	-	2,213
200	1,883	-	2,083
9,190	10,619	-	19,809
339	339	-	678
23,800	18,553	-	42,353
19,575	19,574	-	39,149
3,417	4,509	-	7,926
104,182	144,884	-	249,066
2,048	2,585	-	4,633
2,826	2,826	-	5,652
76,040	448	-	76,488
7,417	9,358	-	16,775
3,846	3,846	-	7,692
<u>\$ 1,021,006</u>	<u>\$ 259,578</u>	<u>\$ -</u>	<u>\$ 1,280,584</u>



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The ARC of Louisiana  
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Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (18,680)	\$ 135,257
Adjustments to Reconcile (Decrease) Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	-	221
Change in Beneficial Interest of Foundation	55,421	(95,414)
(Increase) Decrease in Operating Assets:		
Contracts Receivable	(103,737)	(52,422)
Due from the Foundation	(22,101)	(15,632)
Receivables - Other	(54)	11,871
Prepaid Expenses	(53)	40
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Other Accrued Liabilities	(34,100)	19,187
Net Cash (Used) Provided by Operating Activities	<u>(123,304)</u>	<u>3,108</u>
Cash Provided by Financing Activities:		
SBA PPP Loan	52,500	-
Net Cash Provided by Financing Activities	<u>52,500</u>	<u>-</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(70,804)</b>	<b>3,108</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b><u>459,401</u></b>	<b><u>456,293</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 388,597</u></b>	<b><u>\$ 459,401</u></b>

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Arc of Louisiana (the Organization) is an organization that advocates with and for all people with intellectual and developmental disabilities and their families so that they shall live to their fullest potential.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. The Organization does not have any net assets with donor restrictions as of June 30, 2020 and 2019.

Revenue Recognition - The Organization accounts for contributions as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions. When the stipulated time restriction or purpose restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions as a release from restrictions. Revenue that is received and expended in the same fiscal year is recorded as an increase in net assets without donor restrictions.

Donated Assets - Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. There were no donated assets for the years ended June 30, 2020 and 2019.

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. A significant portion of the Organization's functions are conducted by unpaid volunteers. There were no donated services for the years ended June 30, 2020 and 2019.

Donated Property and Equipment - Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. There were no donated property and equipment for the years ended June 30, 2020 and 2019.



THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, a actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Contracts Receivable – Contracts receivable represents amounts owed to the Organization for costs incurred under various contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2020 and 2019.

Furniture and Equipment – All acquisitions of furniture and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 7 years. Depreciation expense was \$0 and \$221 for the years ended June 30, 2020 and 2019.

Membership Dues – The Organization receives quarterly membership dues from 22 Arc chapters throughout Louisiana. These dues are recognized as revenue in the applicable membership period. The 4<sup>th</sup> quarter dues for the year ending June 30, 2020 were waived due to hardships resulting from COVID-19.

Advertising – The Organization uses advertising to promote its programs. The costs of advertising are expensed as incurred. During the years ended June 30, 2020 and 2019, no advertising expenses were recorded.

Functional Allocation of Expenses – The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Income Taxes – 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. The Organization has no unrelated business income for the fiscal years ended June 30, 2020 and 2019. 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 ARC OF LOUISIANA  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse on the Organization's financial condition, results of operations, or cash flows. The Organization's tax returns are subject for review for the years ended June 30, 2017, 2018, and 2019.

NOTE 2: BENEFICIAL INTEREST IN THE ARC OF LOUISIANA FOUNDATION

The Organization has a beneficial interest in the Arc of Louisiana Foundation (the Foundation). The Organization recognizes the beneficial interest in the Foundation using the equity method of accounting. As of June 30, 2020 and 2019, the beneficial interest in the Foundation was \$1,622,596 and \$1,678,017, respectively.

The activity in the beneficial interest in the Foundation consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 1,678,017	\$ 1,582,603
Add: Support and Revenue	43,198	157,567
Less: Operating Expenses	<u>(98,619)</u>	<u>(62,153)</u>
Balance at End of Year	<u>\$ 1,622,596</u>	<u>\$ 1,678,017</u>

The board designated endowment funds of the Foundation are measured at fair value. The following table sets forth a summary of changes in the fair value of the level 1 and 2 assets for the year end June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 1,389,431	\$ 1,298,560
Add: Support and Revenue	21,644	135,208
Less: Withdrawals	-	(30,695)
Less: Operating Expenses	<u>(14,445)</u>	<u>(13,642)</u>
Balance at End of Year	<u>\$ 1,389,531</u>	<u>\$ 1,389,431</u>

For the years ended June 30, 2020 and 2019, \$1,219,210 is board designated as the principal/corpus amount of the endowment. The endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return consisting of 70% stocks and 30% bonds. Appropriation of the endowment principal for spending shall require a two-thirds favorable vote of both the Foundation Board and the Organization's Board.

NOTE 3: PENSION CONTRIBUTION

The Organization offers its employees the opportunity to enroll in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. This plan allows employees, at their option, to make contributions using payroll deductions. The Organization contributes 6% of the employee's eligible compensation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Total plan expenses for the years ended June 30, 2020 and 2019 were \$8,440 and \$10,114, respectively.



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NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

**NOTE 4: RESTRICTIONS ON NET ASSETS**

The Organization's board of directors has chosen to designate \$1,219,210 as the principal/corpus of the endowment fund (See Note 2).

At June 30, 2020 and 2019 there were no net assets with donor restrictions.

**NOTE 5: RELATED PARTY TRANSACTIONS**

The Organization and the Arc of Louisiana Foundation (the Foundation) are affiliated organizations. Some board members of the Organization also serve on the board of the Foundation. The Foundation owns the facility in which the organizations share office space and accounting personnel. The Organization includes \$36,000 in rental expense for each of the years ended June 30, 2020 and 2019. There is no lease on the facility as the organizations periodically determine an agreed upon annual rent.

In addition, the Organization and the Foundation share the costs of some joint activities. The types of expenses that are incurred by both organizations include salaries, payroll taxes, office supplies, telephone, postage, and printing. The organizations allocate expenses based on actual costs and an estimate of usage. The Arc of Louisiana recognized \$6,000 of income from the Foundation for these joint costs for each of the years ended June 30, 2020 and 2019.

As of June 30, 2020 and 2019, the Organization has a receivable from the Foundation of \$59,733 and \$37,632, respectively. The Organization paid for \$46,030 and \$9,634 in primarily insurance, audit, and maintenance and repair expenses for the Foundation for the years ended June 30, 2020 and 2019, respectively.

**NOTE 6: CONCENTRATIONS**

**Custodial Credit Risk** – The Organization maintains its cash balances in two financial institutions located in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At various times of the year, the Organization may have cash in banks in excess of these federally insured amounts.

**Revenue** – During the years ended June 30, 2020 and 2019, the Organization received approximately 76% and 63%, respectively, of its total revenue from one contract.

**NOTE 7: LIQUIDITY AND AVAILABILITY**

The following reflects the Organization's financial assets as of the statement of financial position date as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash	\$ 388,597	\$ 459,401
Contracts Receivable	329,159	225,422
Due from Foundation	59,733	37,632
Other Receivables	118	64
Financial Assets Available to Meet Cash Needs for General Expenditures within one Year	<u>\$ 777,607</u>	<u>\$ 722,519</u>



THE ARC OF LOUISIANA  
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Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

**NOTE 8: NOTES PAYABLE**

During the year, the Organization was granted a loan in the amount of \$52,500 pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan was issued through Chase Bank bears interest at a rate of 1% per annum for a term of 24 months. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalty. Funds from the loan may only be used for payroll costs and utilities. Under the terms of the CARES Act, certain amounts of the loan may be forgiven if they are used for qualifying expenses. The Organization used the entire loan amount for qualifying expenses and the entire amount are expected to be forgiven within the next 12 months. If the PPP loan is not forgiven payments will start in November 2022.

**NOTE 9: ADOPTION OF NEW ACCOUNTING STANDARDS**

**ASU 2014-09 Revenue from Contracts with Customers:**

Effective July 1, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU was issued to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry specific guidance as well as help financial statements users better understand the nature, amount, timing and uncertainty of revenue that is recognized. Primarily, the update requires the Organization to evaluate the various performance obligations related to its contracts. The adoption of this standard did not result in any changes in the way the Organization recognized revenue and therefore no changes to the previously issued financial statements were required. Based on the review of grant contracts and contribution documentation, management has determined this ASU does not have a significant impact on the financial statements.

**ASU 2018-08, Guidance for Contributions Received and Contributions Made:**

Effective July 1, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, Not for Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This ASU was issued to assist in evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. This ASU was also made to assist in determining whether a contribution is conditional. The adoption of ASU 2018-08 did not have a material impact on the Organization's financial statements.

**NOTE 10: PRIOR PERIOD ADJUSTMENT**

During the year it was discovered that the endowment was board designated rather than restricted by donor. This should have been reclassified when ASU 2016-14 was implemented, therefore a prior period adjustment was made to reduce net assets with donor restrictions and increase net assets without donor restrictions for \$1,219,210. The total net assets were not changed.



THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2021, the date the financial statements were available to be issued and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, operations and cash flows. Possible effects may include, but not limited to, disruptions to the Companies' revenues and financial assets.





The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS, AND OTHER PAYMENTS TO  
AGENCY HEAD, POLITICAL SUBDIVISION HEAD, OR CHIEF EXECUTIVE OFFICER  
(See Independent Auditors' Report)  
Year Ended June 30, 2020

Agency Head: Kelly Monroe, Executive Director

Agency head's compensation was funded 100% by operating revenues other than state generated funds.

Board Members were not paid in non-employee or employee compensation for attending board meetings.





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 of  
The Arc of Louisiana  
Baton Rouge, Louisiana

We have audited, 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, the financial statements of The Arc of Louisiana (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2021

#### **Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Arc of Louisiana'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 Arc of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Arc of Louisiana'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 to 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Arc of Louisiana'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*.

**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.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
January 31, 2021



TWRU  
CPAs & Financial Advisors

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2020

SUMMARY OF AUDITORS' REPORTS

Financial Statements:

Type of report issued the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified Opinion

Internal Control over Financial Reporting:

Material Weakness(es) Identified No

Significant Deficiency(ies) Identified No

Noncompliance Material to Financial Statements Noted No

FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None reported.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
June 30, 2019

None reported.