

CARC, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

October 26, 2023

To the Board of Directors
CARC, INC.

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARC, INC. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit procedures 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 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 CARC, INC. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 misstatements, 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 CARC, 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 and *Government 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 and *Government 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 the Organization'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 CARC, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information and the schedule of compensation, benefits and other payments to chief executive officer on pages 25 through 29 are 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 taken as a whole.

To the Board of Directors
October 26, 2023
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Other Reporting Require by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2023, on our consideration of CARC, 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 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 CARC, 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 CARC, INC.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously reviewed CARC, INC.'s June 30, 2020 financial statements, and we were not aware of any material modifications that should have been made to those audited financial statements in our report dated May 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

CARC, INC.

Statement of Financial Position

June 30, 2021

With Comparative Totals as of June 30, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,524,564	\$ 2,892,189
Investments	1,727,432	1,616,181
Accounts receivable		
Grants and contracts, net	2,071	-
Medicaid, net	480,897	507,538
Work Activity, net	22,835	1,035
Client Liability, net	8,186	24,637
Other	382,026	68,537
Accrued interest receivable	3,031	7,064
Note receivable-current portion	17,447	17,447
Merchandise inventory	46,835	36,971
Prepaid expenses-other	30,453	24,227
Total current assets	<u>6,245,777</u>	<u>5,195,826</u>
 PROPERTY, PLANT, AND EQUIPMENT		
Land	638,881	638,881
Buildings	5,816,745	6,218,375
Leasehold improvements	196,385	196,385
Furniture, fixtures, and equipment	818,546	841,291
Transportation equipment	1,071,846	1,141,840
Construction in progress	-	-
	<u>8,542,403</u>	<u>9,036,772</u>
Less accumulated depreciation	<u>(3,800,217)</u>	<u>(3,825,189)</u>
	4,742,186	5,211,583
 OTHER ASSETS		
Deposits	5,600	12,600
Note receivable-noncurrent portion	412,634	431,584
	<u>418,234</u>	<u>444,184</u>
	<u>\$ 11,406,197</u>	<u>\$ 10,851,593</u>

See notes to financial statements.

CARC, INC.

Statement of Financial Position - Continued

June 30, 2021

With Comparative Totals as of June 30, 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES		
Accounts payable - trade	\$ 51,390	\$ 201,664
Accrued salaries	228,108	195,035
Payroll taxes payable	13,390	17,940
Deferred revenue	321,762	-
Accrued expenses - other	63,861	88,094
Total current liabilities	<u>678,511</u>	<u>502,733</u>
NET ASSETS		
Unrestricted	10,727,686	10,348,860
Temporarily restricted	-	-
	<u>10,727,686</u>	<u>10,348,860</u>
	<u><u>\$ 11,406,197</u></u>	<u><u>\$ 10,851,593</u></u>

See notes to financial statements.

CARC, INC.

Statement of Activities

Year Ended June 30, 2021

With Comparative Totals for the Year Ended June 30, 2020

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Federal, state and local grants/contracts	\$ 12,642	\$ -	\$ 12,642	\$ 89,083
Medicaid	5,100,937	-	5,100,937	6,080,472
Contributions	282,421	-	282,421	496,621
Membership dues	6,370	-	6,370	2,015
Auxiliary activities	187,393	-	187,393	289,786
Other program fees	48,567	-	48,567	369,744
Fund raising	-	-	-	23,719
Investment income (loss)	270,786	-	270,786	115,095
Gain (loss) on disposal of assets	20,327	-	20,327	(52,336)
Rental	66,907	-	66,907	116,630
Other income	67,449	-	67,449	49,448
Medicaid Provider fee	746,945	-	746,945	0
Paycheck Protection Program Forgiveness	848,912	-	848,912	1,231,300
Net assets released from restrictions	-	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>7,659,656</u>	<u>-</u>	<u>7,659,656</u>	<u>8,811,577</u>
EXPENSES AND LOSSES				
Program services	7,012,810	-	7,012,810	8,008,582
Supporting services				
Management and general	268,020	-	268,020	230,940
TOTAL EXPENSES AND LOSSES	<u>7,280,830</u>	<u>-</u>	<u>7,280,830</u>	<u>8,239,522</u>
INCREASE (DECREASE) IN NET ASSETS	378,826	-	378,826	572,055
NET ASSETS AT BEGINNING OF YEAR	<u>10,348,860</u>	<u>-</u>	<u>10,348,860</u>	<u>9,776,805</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,727,686</u>	<u>\$ -</u>	<u>\$ 10,727,686</u>	<u>\$ 10,348,860</u>

See notes to financial statements.

CARC, INC.

Statement of Functional Expenses

Year Ended June 30, 2021

With Comparative Totals for the year ended June 30, 2020

	Program Services			
	Work Activity	Adult Habilitation	Residential Services	Supervised Living
Salaries and wages	\$ 177,960	\$ 181,683	\$ 968,297	\$ -
Payroll taxes	13,264	13,126	72,589	-
Total salaries and related expenses	191,224	194,809	1,040,886	-
Advertising	-	-	-	-
Bad debts	-	-	-	-
Central office overhead	9,738	5,437	26,164	92
Consultants	-	-	62,567	-
Contract services	11,584	2,503	15,284	-
Dues and subscriptions	-	1,902	3,399	-
Employee benefits	7,872	11,808	24,232	-
Habilitative services	-	-	12,800	-
Insurance	41,646	64,937	83,967	-
Licenses	520	15	4,068	-
Medicaid provider fees	-	-	189,326	-
Medicaid provider relief fund	90,018	50,255	241,848	852
Medical	-	-	3,618	-
Miscellaneous	1,158	(10,273)	16,121	-
Office expense	-	-	-	-
Paycheck Protection Program Forgiveness	102,306	57,115	274,864	968
Professional services	-	2,900	17,400	-
Recreation expense	-	-	55	-
Rent	108,332	-	15,236	-
Repairs and maintenance	31,903	7,903	44,145	-
Seminars	-	-	-	-
Supplies	6,378	5,454	293,979	-
Telephone	1,610	7,519	5,387	-
Transportation	4,798	16,766	8,693	6,723
Travel	-	-	-	-
Utilities	6,634	10,554	30,056	-
Total expenses before depreciation expense	615,721	429,604	2,414,095	8,635
Depreciation expense	18,677	79,527	37,625	-
	<u>\$ 634,398</u>	<u>\$ 509,131</u>	<u>\$2,451,720</u>	<u>\$ 8,635</u>

See notes to financial statements.

CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2021

With Comparative Totals for the year ended June 30, 2020

	Program Services			
	Respite	Eliminations	2021 Total	2020 Total
Salaries and wages	\$2,298,878	\$ -	\$3,626,818	\$4,508,362
Payroll taxes	174,140	-	273,119	341,140
Total salaries and related expenses	2,473,018	-	3,899,937	4,849,502
Advertising	-	-	-	2,106
Bad debts	-	-	-	-
Central office overhead	36,516	-	77,947	239,173
Consultants	-	-	62,567	50,103
Contract services	13,768	-	43,139	66,440
Dues and subscriptions	4,836	-	10,137	9,990
Employee benefits	41,521	-	85,433	116,115
Habilitative services	-	(12,800)	-	-
Insurance	81,123	-	271,673	335,950
Licenses	-	-	4,603	3,900
Medicaid provider fees	-	-	189,326	201,940
Medicaid provider relief fund	337,534	-	720,507	-
Medical	-	-	3,618	6,358
Miscellaneous	22,374	-	29,380	46,851
Office expense	-	-	-	92
Paycheck Protection Program Forgiveness	383,611	-	818,864	1,198,131
Professional services	-	-	20,300	-
Recreation expense	-	-	55	3,525
Rent	-	-	123,568	163,057
Repairs and maintenance	3,446	-	87,397	128,708
Seminars	-	-	-	643
Supplies	7,378	-	313,189	217,021
Telephone	3,575	-	18,091	26,675
Transportation	1,543	-	38,523	103,010
Travel	7,762	-	7,762	19,871
Utilities	3,721	-	50,965	66,101
Total expenses before depreciation expense	3,421,726	(12,800)	6,876,981	7,855,262
Depreciation expense	-	-	135,829	153,320
	<u>\$3,421,726</u>	<u>\$ (12,800)</u>	<u>\$7,012,810</u>	<u>\$8,008,582</u>

See notes to financial statements.

CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2021

With Comparative Totals for the year ended June 30, 2020

	<u>Supporting Services</u>	
	<u>Investment Rental</u>	<u>2020 Total</u>
Salaries and wages	\$ -	\$ 16,591
Payroll taxes	-	1,269
Total salaries and related expenses	-	17,860
Advertising	-	-
Bad debts	-	-
Central office overhead	2,860	6,621
Consultants	310	4,336
Contract services	-	-
Dues and subscriptions	-	-
Employee benefits	-	-
Fundraising	-	5,660
Habilitative services	-	-
Insurance	20,132	34,624
Licenses	-	-
Medicaid provider fees	-	-
Medicaid provider relief fund	26,438	-
Medical	-	-
Miscellaneous	15,118	14,491
Office expense	-	-
Paycheck Protection Program Forgiveness	30,048	33,169
Professional services	858	-
Recreation expense	-	1,497
Rent	1,232	1,293
Repairs and maintenance	18,818	23,643
Seminars	-	-
Supplies	1,354	2,804
Telephone	-	-
Transportation	24,595	1,666
Travel	-	-
Utilities	-	23,816
Total expenses before depreciation expense	141,763	171,480
Depreciation expense	126,257	59,460
	<u>\$ 268,020</u>	<u>\$ 230,940</u>

See notes to financial statements.

CARC, INC.

Statement of Cash Flows

Year Ended June 30, 2021

With Comparative Totals as of June 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 378,826	\$ 572,055
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	319,343	271,744
(Gain) loss on sale of fixed assets	(20,327)	52,336
(Gain) loss on sale of investments	47,250	3,351
Unrealized gain of investments	(134,035)	(78,023)
(Increase) decrease in:		
Accounts receivable	(294,268)	371,900
Accrued interest receivable	4,033	21,602
Inventory	(9,864)	20,393
Deposits and prepaids	774	(8,144)
Increase (decrease) in:		
Accounts payable - trade	(150,274)	13,984
Accrued salaries	33,073	(17,470)
Payroll taxes payable	(4,550)	(805)
Deferred revenue	321,762	(541,503)
Accrued expenses-other	(24,233)	(48,025)
NET CASH FROM OPERATING ACTIVITIES	<u>467,510</u>	<u>633,395</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of investments	1,709,503	3,312,017
Purchase of investments	(1,640,112)	(1,256,984)
Proceeds from receipt of principal	18,950	16,392
Proceeds from sale of fixed assets	76,524	22,300
Purchases of fixed assets and construction in progress	-	(930,498)
NET CASH FROM INVESTING ACTIVITIES	<u>164,865</u>	<u>1,163,227</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	632,375	1,796,622
CASH AND CASH EQUIVALENTS JUNE 30, 2020	<u>2,892,189</u>	<u>1,095,567</u>
CASH AND CASH EQUIVALENTS JUNE 30, 2021	<u>\$3,524,564</u>	<u>\$2,892,189</u>
SUPPLEMENTAL DATA FOR NON CASH INVESTING ACTIVITIES:		
Paycheck Protection Program Forgiveness Payment received	<u>\$ 848,912</u>	<u>\$1,231,300</u>
Medicaid Provider Relief Funds received	<u>\$ 746,945</u>	<u>\$ -</u>

See notes to financial statements.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CARC, INC. is presented to assist in understanding CARC, INC.'s financial statements. The financial statements and notes are representations of CARC, INC.'s management, who is responsible for their integrity and objectivity.

On October 31, 2012, the Company changed its legal name from Calcasieu Association for Retarded Citizens, Inc. to CARC, INC.

Nature of Activities

CARC, INC. was organized under Section 501 (c) (3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing the following services to mentally and physically handicapped persons (clients) in Southwest Louisiana:

Work Activity - Clients provide services to area businesses on a contract basis and produce various merchandise for resale to the public.

Adult Habilitation - Adults are taught day to day living skills and work opportunities.

Residential Services - The Association maintains six community homes which house six clients each on a "round the clock" supervised basis.

Supervised Independent Living - Clients are placed in local apartments and are supervised on a day-to-day, part-time basis.

Respite Services - The Association provides sitters for parents and guardians of clients.

The majority of the funding for the above programs is provided by Medicaid and the State offices of the Louisiana Department of Health and Hospitals. Without this funding, the Association would be forced to find alternative funding sources in order to maintain operations.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. CARC, INC. is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE A - 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 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.

Cash and Cash Equivalents

The Association considers all cash and investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments consist of Mutual Funds investing in debt and equity securities and stocks and Certificate of Deposits with a cost of \$1,515,341 which do not meet the Association's definition of cash equivalents. The investments are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. All highly liquid debt instruments with an original maturity of three months or less from date of purchase are considered cash equivalents. Amortization of premiums and discounts are recognized as income using the level yield method. Accumulated unrealized appreciation (depreciation) in assets classified as investments at June 30, 2021 was \$212,091.

The Organization has reported their investments, with a remaining maturity at time of purchase of one year or less, at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at June 30, 2021. Fair value was determined by obtaining "quoted" year-end market prices.

Property, Plant, and Equipment

The Association follows the practice of recording assets at cost or estimated fair value of donated assets at date of donation. All assets with estimated useful lives in excess of one year and \$5,000 are capitalized. Depreciation is provided on the straight-line method at rates calculated to allocate the recorded amounts over the estimated useful lives of the assets, ranging from 2 to 50 years. Depreciation and amortization amounted to \$319,343, of which \$57,257 is included in central office overhead expense in the accompanying statement of functional expenses.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

Direct costs are charged directly to the grants and programs in which the expense is incurred or they are allocated to the grants and programs based on the proportion of benefit resulting from the particular expenditure. All other costs not identifiable as direct charges are regarded as "central office overhead" and accumulated in a pool. This pool is distributed monthly to the grants and programs based on the proportion of each grant's/program's direct costs to total direct costs, computed on a monthly basis.

Eliminations

For report purposes, all significant inter-departmental accounts and transactions have been eliminated.

Income Taxes

The Association is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and generally is not subject to income taxes according to the provisions of Federal and Louisiana State income tax laws and regulations. In addition, CARC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the code.

Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the organization's program services.

Designated Net Assets

At its discretion, the Board may designate revenue for specific purposes. Any Board-designated funds would be segregated under the unrestricted net assets.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out method of accounting.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$46,633.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, or restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Restricted Net Assets

There are currently no restrictions on Net Assets.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Prior year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through October 26, 2023, the date the financial statements were available to be issued.

On August 27, 2020, Hurricane Laura made landfall in Southwest Louisiana. On October 9, 2020, Hurricane Delta made landfall in Southwest Louisiana. As a result, there were significant damages across the region. During Hurricanes Laura and Delta, all of CARC's 46 properties/buildings were extensively damaged and needed major repairs. CARC, INC. struggled to get the needed insurance proceeds from claims filed to repair the damage from the hurricanes. Deferred revenue of \$321,762 as of June 30, 2021 includes insurance proceeds received, book value of properties to be demolished, less hurricane repairs made through June 30, 2021. CARC received \$3,362,174 in insurance proceeds as of June 30, 2021, \$7,179,625 through the current date. CARC paid \$1,695,203 for repairs as of June 30, 2021. CARC has paid out hurricane repair expenses in excess of insurance proceeds received through the current date and expects to spend about \$150,000 more to complete the total restoration.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2021, cash and cash equivalents consisted of the following:

Operating accounts, net of outstanding items	\$ 497,545
Money market accounts	<u>3,027,019</u>
	<u>\$ 3,524,564</u>

At June 30, 2021, the carrying amount of the accounts was \$3,524,564 and the bank balance was \$3,553,549 of which \$259,599 is secured from risk by federal depository insurance, and the balance is unsecured. In addition, a significant risk of loss existed at June 30, 2021 with regard to the monies invested in money market accounts and investments because those funds are not insured against market risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable amounts in the accompanying statement of financial position are reported net of \$0 in allowance for doubtful accounts.

NOTE D - MEDICAID PROVIDER FEE

The Association's residential services program is required, under Louisiana R.S. 46:2601-2605, to pay to the Department of Health and Hospitals a fee per patient day for each bed which is in use or reserved for a patient. The total of such fees for the year ended June 30, 2021 is \$189,326.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE E - LONG TERM NOTE RECEIVABLE

Louisiana Disabled Persons Finance Corporation (LADPFC):
First Mortgage note; secured by a mortgage lien,
payable in monthly installments of principle and interest
of \$3,751 (interest at 6.25% per annum), maturity at February 2036.

\$ 430,081

Less current maturities

17,447

Long-term note receivable, net of current portion

\$ 412,634

In February of 2006, Louisiana Disabled Persons Finance Corporation paid in full a loan to U.S. Department of Housing and Urban Development. The funding to pay the loan balance was derived from CARC, INC. Interest rate on CARC, INC.'s thirty-year mortgage is to be fixed for five years at 6.25% and terms are to be reviewed every five years. The Association has signed a use agreement with HUD to abide by HUD regulations, as they apply to this project, and the continued Section 8 contract.

NOTE F - RETIREMENT PLAN

Effective September 1, 1997, a retirement savings plan and trust for the benefit of eligible employees was adopted. The plan covers substantially all of the employees, with the exception of client employees, of CARC, INC. who have attained the age of 21 and completed one year of service (at least 1,000 hours of service in a plan year). The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each participant may elect to have Compensation deferred by up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415. The maximum annual amount that an employee could contribute as an elective deferral for calendar year 2021 was \$19,500 per year. For the year ended June 30, 2021, salary deferrals by eligible participants totaled \$64,088. The employer may make a matching contribution to each participant based on the participant's elective deferrals in a percentage set by the employer prior to the end of each plan year. For the year ended June 30, 2021, the Board of Directors adopted an employer contribution of 50% of the first 6% that an employee contributes. Additional amounts may be contributed at the option of the Board of Directors. For the year ended June 30, 2021, the employer match totaled \$25,085.

NOTE G – RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE H - RELATED PARTY TRANSACTIONS

Included in accounts receivable-other at June 30, 2021 and June 30, 2020 are operating advances to Louisiana Disabled Persons Finance Corporation (LDPFC) of \$154,863 and \$14,417, respectively, to Louie Street Apartments, Inc. of \$148,401 and \$13,950, respectively, and to Stroud Manor, Inc. of \$1,979 and \$6,088, respectively, affiliated non-profit organizations under common board of directors. In addition, LDPFC paid \$5,865 and \$7,200, Louie Street Apartments, Inc. paid \$2,361 and \$6,355, and Stroud Manor, Inc. paid \$2,718 and \$3,290 in management fees to CARC, INC. for the years ended June 30, 2021 and June 30, 2020, respectively. CARC also charged, for the years ended June 30, 2021 and June 30, 2020, respectively, to LDPFC \$6,594 and \$5,793, Louie Street Apartments, Inc. \$6,431 and \$7,659, and Stroud Manor, Inc. \$3,756 and \$4,180, for services provided to these entities such as lawn care, other maintenance, janitorial, and vehicle usage. Also, see Note D for a loan between LADPFC and CARC, INC. Summarized financial data of LDPFC, Louie Street Apartments, Inc., and Stroud Manor, Inc., as of and for the years ended:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>Louisiana Disabled Person Finance Corporation</u>	
Total Assets	\$ 190,401	\$ 86,957
Total Liabilities	<u>590,801</u>	<u>469,009</u>
Net Assets (deficit)	<u>\$ (400,400)</u>	<u>\$ (382,052)</u>
Total Revenue	\$ 107,680	\$ 143,064
Total Expenses	<u>126,028</u>	<u>140,772</u>
Change in Net Assets	<u>\$ (18,348)</u>	<u>\$ 2,292</u>
	<u>Louie Street Apartments, Inc.</u>	
Total Assets	\$ 1,638,945	\$ 1,589,669
Total Liabilities	<u>1,519,225</u>	<u>1,383,664</u>
Net Assets (deficit)	<u>\$ 119,720</u>	<u>\$ 206,005</u>
Total Revenue	\$ 55,338	\$ 149,561
Total Expenses	<u>141,623</u>	<u>151,372</u>
Change in Net Assets	<u>\$ (86,285)</u>	<u>\$ (1,811)</u>
	<u>Stroud Manor, Inc.</u>	
Total Assets	\$ 1,114,740	\$ 1,143,393
Total Liabilities	<u>1,054,079</u>	<u>1,058,153</u>
Net Assets (deficit)	<u>\$ 60,661</u>	<u>\$ 85,240</u>
Total Revenue	\$ 59,483	\$ 73,170
Total Expenses	<u>84,062</u>	<u>82,487</u>
Change in Net Assets	<u>\$ (24,579)</u>	<u>\$ (9,317)</u>

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE I – INVESTMENTS

As of June 30, 2021, CARC, INC. had its assets in money market instruments, U.S. Treasury notes, U.S. agency securities, stocks and municipal bonds managed by financial institutions. The accounts managed by the financial institutions have a fair value of \$1,727,432 as of June 30, 2021. CARC, INC.'s investments are as follows:

Type of Debt Investment	Fair Value	Maturity			Credit Rating (Standards and Poor's)
		Less than 1 Year	1 to 5 Years	6 to 10 Years	
Investments at fair value					
Certificates of deposit	\$ -	\$ -	\$ -	\$ -	N/A
Subtotal	-	-	-	-	
Investments measured at the net asset value (NAV)					
U. S. Treasury notes	323,359	42,249	254,774	26,336	AAA
Government bonds	114,324	-	-	114,324	unrated
Corporate bonds	234,429	11,038	63,618	159,773	A1-BAA2
Equities	616,338	616,338	-	-	A1-BAA3
Mutual funds	438,982	438,982	-	-	unrated
Total investments measured at NAV	1,727,432	1,108,607	318,392	300,433	
Total Investments	\$ 1,727,432	\$ 1,108,607	\$ 318,392	\$ 300,433	

CARC, INC. categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CARC, INC. has the following recurring fair value measurements, as of June 30, 2021:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date have a value of \$1,289,749.

Level 2 inputs - U.S. Treasury securities, government agency securities, and municipal securities totaling \$437,683 are valued using market-based approach comprised of a combination of directly observable quoted prices and matrix pricing technique that relies on the securities' relationship to other benchmark quoted securities.

Interest rate risk: CARC, INC.'s policy on investments states that safety of principle is the foremost objective, followed by liquidity and yield. Each investment transaction shall seek to first insure that capital losses are avoided no matter the sources.

Concentration of Credit Risk: CARC, INC.'s investment portfolio had concentration of credit risk on June 30, 2021 due to the holdings of securities issued by the following U.S. agency securities and stocks. CARC, INC.'s investment portfolio consisted of 19% U.S. Treasury notes, 7% Government Bonds, 14% Corporate bonds, 36% Equities, and 25% Mutual funds. CARC, INC.'s policy does not address concentration risk.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE I – INVESTMENTS - CONTINUED

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE J – OPERATING LEASES

The Association leases three retail store spaces for its Treasure Chest stores and one facility for additional administrative space until the new building is complete. The Lake Charles store has a base monthly rental amount of \$6,630. This lease expires March 2022, and renewed for \$6,718 per month which expires August 2025. The Moss Bluff store had a base monthly rental amount of \$4,500. This store was closed in December of 2020. Lease expense amounted to \$108,332 for the year ended June 30, 2021. Minimum lease payments on long-term operating leases by year, and in aggregate, are as follows:

<u>Year ended</u>	
June 30, 2022	\$ 57,240
June 30, 2023	79,900
June 30, 2024	80,616
June 30, 2025	53,744

The Association is the lessor of multiple rental properties under operating leases. The lease agreements stipulate month-to-month leases for \$4,585 per month total. Following is a summary of the properties leased at June 30, 2021:

Homes	\$ 1,061,355
Less: accumulated depreciation	<u>(365,259)</u>
	696,096
Land	<u>188,980</u>
	<u>\$ 885,076</u>

NOTE K – LIQUIDITY

At June 30, 2020, the Association has \$6,148,011 available to meet needs for general expenditures consisting of cash of \$3,524,564, accounts receivable of \$896,015 and investments of \$1,727,432. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Association are expected to be met on a monthly basis from grant income. In general, the Association maintains sufficient financial assets on hand to meet thirty days' worth of normal operating expenses.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE L - CENTRAL OFFICE OVERHEAD

Included in central office overhead expense in the accompanying Statement of Functional Expenses are the following natural expense categories:

Salaries and wages	\$ 901,661
Payroll taxes	<u>65,385</u>
Total salary and related expenses	967,046
Advertising	46,633
Bad debt	338
Contract services	71,698
Dues and subscriptions	552
Employee benefits	67,131
Insurance	204,107
Licenses	1,040
Medical	68
Miscellaneous	11,513
Office expense	5,086
Professional services	21,700
Rent	1,855
Repairs and maintenance	91,687
Seminars	-
Supplies	150,134
Telephone	10,990
Transportation	13,939
Travel	499
Utilities	<u>19,307</u>
Total expenses before depreciation expense	1,685,323
Depreciation expense	<u>57,257</u>
Total central office overhead	<u>\$ 1,742,580</u>

NOTE M – CONCENTRATION OF RISK

The Association is located in the Southwest Louisiana and performs most of its services in this area. The Association receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

CARC, INC.

Notes to Financial Statements

June 30, 2021

NOTE N – SELF-INSURANCE

All CARC, INC. employees have an option to participate in the Association's self-funded, comprehensive medical care benefits program. The cost of medical care paid out of employee and employer contributions and is held in a separate bank account. The Association has contracted with a third-party administrator to provide administrative services for this health care benefits program. As of June 30, 2021, cash of \$32,672 was in the account.

CARC, INC. employees are covered by a self-insured state unemployment benefits program through Unemployment Services Trust (UST). The cost paid by CARC, INC. for the fiscal year ended June 30, 2021 was \$72,355. CARC, INC. has contracted with the third-party administrator to provide administrating services for the unemployment benefits program. As of June 30, 2021, cash of \$89,140 was maintained by the third party.

SUPPLEMENTARY INFORMATION

CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized

Year Ended June 30, 2021

	<u>Investment rental</u>	<u>Work Activity</u>	<u>Adult Habilitation</u>	<u>Residential Services</u>
Public support and revenue				
Federal, state and local grants/contracts	\$ -	\$ -	4,615	\$ -
Medicaid	-	-	46,501	2,357,130
Medicaid provider relief fund	26,438	90,018	50,255	241,848
Contributions	3,946	278,475	-	-
Total public support	<u>30,384</u>	<u>368,493</u>	<u>101,371</u>	<u>2,598,978</u>
Revenue				
Membership dues	6,370	-	-	-
Other program fees	10,945	-	12,800	37,623
Auxiliary activities	-	187,393	-	-
Investment income (loss)	270,786	-	-	-
Gain (loss) on disposal of assets	1,000	20,402	(2,370)	-
Rental	66,907	-	-	-
Other income	25,380	27,170	5,299	-
Paycheck Protection Program Forgiveness	30,048	102,306	57,115	274,864
Total revenue	<u>411,436</u>	<u>337,271</u>	<u>72,844</u>	<u>312,487</u>
Total public support and revenue	441,820	705,764	174,215	2,911,465
Expenses and losses				
Program services	-	634,398	509,131	2,451,720
Supporting services				
Management and general	268,020	-	-	-
Total expenses and losses	<u>268,020</u>	<u>634,398</u>	<u>509,131</u>	<u>2,451,720</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ 173,800</u>	<u>\$ 71,366</u>	<u>\$ (334,916)</u>	<u>\$ 459,745</u>

CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized (continued)

Year Ended June 30, 2021

	Supervised Independent Living	Respite	Eliminations	Total
Public support and revenue				
Federal, state and local grants/contracts	\$ 1,062	\$ 6,965	\$ -	\$ 12,642
Medicaid	-	2,697,305	-	5,100,936
	852	337,534	-	746,945
Contributions	-	-	-	282,421
Total public support	<u>1,914</u>	<u>3,041,804</u>	<u>-</u>	<u>6,142,944</u>
Revenue				
Membership dues	-	-	-	6,370
Other program fees	-	-	(12,800)	48,568
Auxiliary activities	-	-	-	187,393
Investment income (loss)	-	-	-	270,786
Gain (loss) on disposal of assets	-	1,295	-	20,327
Rental	-	-	-	66,907
Other income	-	9,600	-	67,449
Paycheck Protection Program Forgiveness	968	383,611	-	848,912
Total revenue	<u>968</u>	<u>394,506</u>	<u>(12,800)</u>	<u>1,516,712</u>
Total public support and revenue	2,882	3,436,310	(12,800)	7,659,656
Expenses and losses				
Program services	8,635	3,421,726	(12,800)	7,012,810
Supporting services				
Management and general	-	-	-	268,020
Total expenses and losses	<u>8,635</u>	<u>3,421,726</u>	<u>(12,800)</u>	<u>7,280,830</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ (5,753)</u>	<u>\$ 14,584</u>	<u>\$ -</u>	<u>\$ 378,826</u>

CARC, INC.

Schedule of Functional Expenses

Year Ended June 30, 2021

Salaries and wages	\$ 4,528,479
Payroll taxes	338,504
Total salaries and related expenses	<u>4,866,983</u>
Advertising	46,633
Bad debts	338
Consultants	62,877
Contract services	114,837
Dues and subscriptions	10,689
Employee benefits	152,564
Fundraising	-
Insurance	495,912
Licenses	5,643
Medicaid provider fees	189,326
Medical	3,686
Miscellaneous	56,011
Office expense	5,086
Professional services	42,858
Recreation expense	55
Rent	126,655
Repairs and maintenance	197,902
Revenue unallocated from overhead fund	(65,916)
Supplies	464,677
Telephone	29,081
Transportation	77,057
Travel	8,261
Utilities	70,272
Total expenses before depreciation expense	<u>6,961,487</u>
Depreciation expense	<u>319,343</u>
	<u><u>\$ 7,280,830</u></u>

OTHER INFORMATION

CARC, INC.

Schedule of Compensation, Benefits and Other
Payments to Chief Executive Officer

Year Ended June 30, 2021

Chief Executive Officer: Libby Leone, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 118,363
Benefits - insurance	5,930
Benefits - retirement	3,540
Benefits - cell phone	-
Mileage	-
Vehicle provided by organization	-
Per diem	-
Reimbursements	132
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meal reimbursements	-
Dues	-

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

October 26, 2023

To the Board of Directors
CARC, INC.

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 CARC, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CARC, INC.'s internal control over financial reporting (internal control) to 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 CARC, INC.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. However, material weaknesses may exist that have not been identified.

To the Board of Directors
October 26, 2023
Page Two

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CARC, 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 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

CARC, INC.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on CARC's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. CARC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

