THE ARC OF GREATER NEW ORLEANS

FINANCIAL REPORT

For the Years Ended June 30, 2015 and 2014

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REPORT

CRI CARR RIGGS & INGRAM
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Arc of Greater New Orleans
New Orleans, Louisiana

We have audited the accompanying financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Organization as of June 30, 2015, 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.

Prior Period Financial Statements

The financial statements of The Arc of Greater New Orleans as of June 30, 2014 were audited by other auditors whose report dated December 9, 2014, expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head 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 standard 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 December 10, 2015, on our consideration of the Organization'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 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 Organization's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

December 10, 2015

FINANCIAL STATEMENTS

THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION

June 30,		***2015***		*2014*
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	**$**	**41,257**	$	407,434
Accounts receivable		**1,231,701**		1,224,830
Prepaid expenses		**62,917**		90,569
Restricted trust fund		**49,696**		20,713
Other current assets		**2,592**		2,592
Total Current Assets		**1,388,163**		1,746,138
PROPERTY AND EQUIPMENT, net		**1,520,475**		1,352,628
TOTAL ASSETS	**$**	**2,908,638**	$	3,098,766
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	**$**	**257,148**	$	266,901
Compensated absences		**97,095**		95,422
Current maturities of long-term debt		**79,446**		75,732
Total Current Liabilities		**433,689**		438,055
LONG-TERM DEBT, net of current maturities		**565,577**		568,535
TOTAL LIABILITIES		**999,266**		1,006,590
NET ASSETS				
Unrestricted		**1,909,372**		1,978,801
Temporarily restricted		**-**		113,375
Total Net Assets		**1,909,372**		2,092,176
TOTAL LIABILITIES AND NET ASSETS	**$**	**2,908,638**	$	3,098,766

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

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30,			*2015*
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Federal grant income	$ 31,950	$ -	**$ 31,950**
State grant income	200,509	-	**200,509**
Local grant income	168	-	**168**
Contributions	790,204	-	**790,204**
United Way Allocations	59,408	-	**59,408**
Client fees	1,900,452	-	**1,900,452**
Medicaid	5,540,327	-	**5,540,327**
Group home	160,681	-	**160,681**
Interest income	1,060	-	**1,060**
Other income	431,104	-	**431,104**
Net Assets Released From Restrictions	113,375	(113,375)	**-**
Total Support and Revenue	9,229,238	(113,375)	**9,115,863**
EXPENSES			
Program services			
Children's Services	500,177	-	**500,177**
Employment Services	184,532	-	**184,532**
Individual Options	1,356,443	-	**1,356,443**
Project H.E.L.P.	3,124,778	-	**3,124,778**
Operations Department	2,973,707	-	**2,973,707**
Family Service Coordination	187,689	-	**187,689**
Supporting services			
Management and general	932,679	-	**932,679**
Payments to affiliates	17,400	-	**17,400**
Fundraising	21,262	-	**21,262**
Total Expenses	9,298,667	-	**9,298,667**
CHANGES IN NET ASSETS	**(69,429)**	**(113,375)**	**(182,804)**
NET ASSETS - Beginning of year	1,978,801	113,375	**2,092,176**
NET ASSETS - End of year	**$ 1,909,372**	**$ -**	**$ 1,909,372**

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

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30,			*2014*
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
State grant income	$ 422,228	$ -	$ 422,228
Local grant income	2,163	-	2,163
Contributions	742,778	-	742,778
United Way allocations	62,929	-	62,929
Client fees	2,043,881	-	2,043,881
Medicaid	5,753,120	-	5,753,120
Group home	185,493	-	185,493
Interest income	1,456	-	1,456
Other income	320,254	113,375	433,629
Net Assets Released From Restrictions	-	-	-
Total Support and Revenues	9,534,302	113,375	9,647,677
EXPENSES			
Program services			
Children's services	560,811	-	560,811
Employment services	181,193	-	181,193
Individual options	1,341,872	-	1,341,872
Project H.E.L.P.	3,326,549	-	3,326,549
Operations department	2,844,298	-	2,844,298
Family Service coordination	316,645	-	316,645
Supporting services			
Management and general	991,954	-	991,954
Payments to affiliates	17,400	-	17,400
Fundraising	24,766	-	24,766
Total Expenses	9,605,488	-	9,605,488
CHANGES IN NET ASSETS	(71,186)	113,375	42,189
NET ASSETS - Beginning of year	2,049,987	-	2,049,987
NET ASSETS - End of year	$ 1,978,801	$ 113,375	$ 2,092,176

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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, ***2015***

	Program Services						Supporting Services			
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	Total
Salaries	$ 321,874	$ 130,498	$ 629,847	$ 2,530,822	$ 1,533,450	$ 127,882	$ 470,820	$ -	$ -	**$ 5,745,193**
Benefits	41,776	11,894	80,184	193,841	136,285	7,234	52,672	-	-	**523,886**
Payroll taxes	23,645	8,929	46,080	190,315	109,781	9,717	36,730	-	-	**425,197**
Professional services	1,361	4,149	3,065	8,227	70,183	5,935	63,666	-	-	**156,586**
Supplies	57,615	1,631	4,416	5,324	164,846	1,568	9,414	-	-	**244,814**
Advertising	-	-	-	-	2,183	-	8,433	-	-	**10,616**
Telephone	1,339	2,912	12,443	9,219	15,720	3,135	10,269	-	-	**55,037**
Postage	36	150	152	824	8,371	1,002	3,162	-	-	**13,697**
Occupancy	28,243	9,890	354,680	88,958	355,767	15,488	55,435	-	-	**908,461**
Repairs and maintenance	16,856	3,933	31,170	37,346	155,224	7,675	11,568	-	-	**263,772**
Local transportation	331	4,955	84,222	39,539	243,199	5,994	13,698	-	-	**391,938**
Travel, conferences, and training	3,403	2,278	14,303	5,640	8,898	1,459	3,670	-	-	**39,651**
Printing and publications	97	-	52	732	2,708	45	76	-	-	**3,710**
Membership dues	-	-	-	-	-	-	4,410	-	-	**4,410**
Other expenses	2,498	3,172	5,206	13,342	38,840	513	174,678	-	21,262	**259,511**
Disposal of equipment	-	-	-	-	46,325	-	-	-	-	**46,325**
Payments to affiliates	-	-	-	-	-	-	-	17,400	-	**17,400**
Interest	-	-	1,901	-	18,436	-	7,991	-	-	**28,328**
Depreciation	1,103	141	88,722	649	63,491	42	5,987	-	-	**160,135**
	$ 500,177	**$ 184,532**	**$ 1,356,443**	**$ 3,124,778**	**$ 2,973,707**	**$ 187,689**	**$ 932,679**	**$ 17,400**	**$ 21,262**	**$ 9,298,667**

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

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, *2014*

	Program Services						Supporting Services			
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	Total
Salaries	$ 364,294	$ 127,583	$ 654,964	$ 2,700,781	$ 1,504,219	$ 132,747	$ 500,866	$ -	$ -	$ 5,985,454
Benefits	37,828	9,598	82,007	199,495	115,182	12,964	45,820	-	-	502,894
Payroll taxes	27,457	8,753	48,856	206,519	111,573	9,842	37,139	-	-	450,139
Professional services	1,038	5,506	2,069	6,229	83,199	6,579	43,832	-	-	148,452
Supplies	70,822	2,542	4,097	5,804	178,894	121,004	11,195	-	-	394,358
Advertising	-	-	-	-	2,847	-	5,996	-	-	8,843
Telephone	2,236	3,171	9,270	10,449	15,061	3,051	8,045	-	-	51,283
Postage	35	119	121	711	9,026	1,219	4,060	-	-	15,291
Occupancy	29,587	10,028	323,089	112,780	309,046	16,969	53,821	-	-	855,320
Repairs and maintenance	14,716	3,013	33,976	24,896	92,468	5,613	9,587	-	-	184,269
Local transportation	514	5,890	74,711	38,408	258,936	5,921	12,605	-	-	396,985
Travel, conferences, and training	1,102	339	9,642	2,358	10,705	166	2,221	-	-	26,533
Printing and publications	49	299	199	973	1,820	196	1,108	-	-	4,644
Membership dues	-	-	-	-	-	-	2,905	-	-	2,905
Other expenses	10,009	4,211	4,946	13,113	35,056	322	240,111	-	24,766	332,534
Payments to affiliates	-	-	-	-	-	-	-	17,400	-	17,400
Interest	-	-	7,946	-	4,307	-	9,289	-	-	21,542
Depreciation	1,124	141	85,979	4,033	111,959	52	3,354	-	-	206,642
	$ 560,811	$ 181,193	$ 1,341,872	$ 3,326,549	$ 2,844,298	$ 316,645	$ 991,954	$ 17,400	$ 24,766	$ 9,605,488

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,	**2015**	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	**$ (182,804)**	$ 42,189
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss (gain) on disposal of equipment	**46,325**	(54,338)
Depreciation	**160,135**	206,642
Changes in operating assets and liabilities:		
Accounts receivable	**(6,871)**	65,287
Prepaid expenses	**27,652**	(30,472)
Restricted trust fund	**(28,983)**	-
Other current assets	**-**	7,909
Accounts payable and accrued expenses	**(9,753)**	(102,888)
Compensated absences	**1,673**	-
Net cash provided by operating activities	**7,374**	134,329
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	**(374,307)**	(540,743)
Proceeds from sale of equipment	**-**	54,338
Net cash used in investing activities	**(374,307)**	(486,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of new long-term debt	**77,077**	378,260
Principal payments on long-term debt	**(76,321)**	(150,313)
Net cash provided by financing activities	**756**	227,947
Net decrease in cash and cash equivalents	**(366,177)**	(124,129)
Cash and cash equivalents - Beginning of year	**407,434**	531,563
Cash and cash equivalents - End of year	**$ 41,257**	$ 407,434
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	**$ 28,328**	$ 21,542

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Arc of Greater New Orleans (the Organization) was incorporated in July 1953. The Organization is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Children's Services (Early Intervention and Child Care), Family Services Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Operations Department (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a five-parish area (Orleans, Jefferson, Plaquemines, St. Tammany and St. Bernard). The majority of the Organization's revenue is derived from contracts for services with the State of Louisiana, Jefferson Parish, and various private contracts with businesses in the five-parish area.

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting, whereas, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Organization are included in this category. The Organization has determined that any donation with donor-imposed restrictions for current or developing programs and activities that are generally met within the year the donation was received are record as unrestricted.

- Temporarily restricted net assets include realized gains and losses, investment income, and contributions for which donor-imposed restrictions have not been met. For the year ended June 30, 2015 there were no temporarily restricted net assets. For the year ended June 30, 2014, the Organization had $113,375 in temporarily restricted net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. For the years ended June 30, 2015 and 2014, the Organization had no permanently restricted net assets.

Income Taxes

Under the provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Louisiana, the Organization is exempt from taxes on income other than unrelated business income. The Organization has also been classified as an entity that is not a private foundation in Section 170 (b)(1)(A)(vi). Since the Organization had no net unrelated business income during the years ended June 30, 2015 and 2014, no provision for income tax was made. Management does not believe there are any uncertain tax positions.

Functional Expense Allocation

Functional expenses are allocated among the various program services, management and general, and fundraising categories based on actual use or management's best estimate.

Contributed Services

Various functions of the Organization are conducted by unpaid officers, board members, and volunteers. The Organization recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2015 and 2014, the Organization believes the value of contributed services meeting the requirements for recognition in the financial statements was not material and, therefore, has not recorded an amount for contributed services.

Use of Estimates

The preparation of the Organization's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

All receivables at June 30, 2015 and 2014, are considered collectible by management; accordingly, an allowance for doubtful accounts is not considered necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off. For the years ended June 30, 2015 and 2014, management did not write off any outstanding receivables.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over $1,000 with a useful life of more than one year. Lesser amounts and amounts for assets with a life less than a year are expensed. Purchased property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and leasehold improvements range from 10 to 31 years; and those of furniture and equipment, and autos, trucks and tractors range from 3 to 10 years.

Restricted and Unrestricted Revenue and Other Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently 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 restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

The Organization is self-insured for their unemployment insurance. Every month the Organization puts money into a trust account that is restricted for any claims that are made for unemployment during the year. The June 30, 2014, financial statements have been reclassified to conform to the 2015 presentation of the trust account, which was recorded in accounts payable and accrued expenses as of June 30, 2014, and reclassified to restricted trust fund as of June 30, 2015, with no effect on the previously reported net assets.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Organization has concentrated its credit risk by maintaining deposits in banks that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to $250,000. As of June 30, 2015 the Organization did not exceed the FDIC insured limit. As of June 30, 2014, the Organization exceeded the FDIC insured limit by $237,886. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any credit risk to cash.

NOTE 3 – COMPENSATED ABSENCES

The Organization's employees receive from eight to seventeen days of annual paid leave upon completion of an introductory period, depending on employee classification. Annual leave vests with the employee, and, therefore, has been accrued up to a maximum accumulated cap of twenty days per employee. Unpaid compensated absences amounted to $97,095 and $95,422 for the years ended June 30, 2015 and 2014.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2015	2014
Land	**$ 175,187**	$ 175,187
Buildings	**1,824,876**	1,676,790
Leasehold improvements	**649,899**	387,139
Furniture and equipment	**615,618**	973,995
Autos, trucks, and tractors	**756,831**	571,287
Construction in progress	**-**	129,716
Total property and equipment	**4,022,411**	3,914,114
Less: accumulated depreciation	**(2,501,936)**	(2,561,486)
Property and equipment, net	**$ 1,520,475**	$ 1,352,628

Depreciation expense was $160,135 and $206,642 for the years ended June 30, 2015 and 2014, respectively.

Construction in progress as of June 30, 2014 is related primarily to the renovation and rehabilitation of a community center and event hall located in St. Bernard Parish which was completed during the year ended June 30, 2015.

NOTE 5 – LEASES

The Organization has an operating lease agreement with Enterprise FM Trust in which they occasionally lease vehicles. The Organization has one lease agreement that expires during 2016.

The minimum lease payments for the year ending June 30, 2016 are $4,775.

NOTE 6 – LINE OF CREDIT

The Organization has a line of credit available totaling $400,000. The unpaid principal balance bears interest at the Prime Rate plus 1.25%, adjusted quarterly, with a floor of 7.25%. Interest payments are due monthly. At June 30, 2015 and 2014, the Organization had not drawn on the line of credit. The line of credit is secured by all inventory, goods, and other items of personal property and receivables. Subsequent to year end, the Organization drew $150,000 on their line of credit.

NOTE 7 – LONG-TERM DEBT

The Organization had the following long-term debt for June 30:

	2015	2014
4.00% note payable dated June 26, 2006 and refinanced in December 2008, with a maturity date of April 26, 2020, payable to the U.S. Small Business Administration in monthly installments of $3,463, including interest, secured by real property.	**$ 180,363**	$ 215,961
6.75% variable note payable, dated June 5, 2008, due June 5, 2028, payable in monthly installments to Gulf Coast Bank of $2,427, including interest, secured by real property.	**30,101**	44,532
6.84% note payable, dated May 10, 2012, due April 9, 2016, payable in monthly installments to Ford Motor Credit of $542, including interest, secured by a truck.	**5,759**	11,288
4.95% note payable, dated February 14, 2014, due February 14, 2034, payable in monthly installments to Gulf Coast Bank of $2,487, including interest, secured by real property.	**361,074**	372,486
5.17% note payable, dated October 22, 2014, due January 21, 2021, payable in monthly installments to Chrysler of $527, including interest, secured by real property.	**29,501**	-
6.24% note payable, dated June 9, 2014, due June 9, 2019, payable in monthly installments to Ford Motor Credit of $384, including interest, secured by real property.	**16,275**	-
6.84% note payable, dated October 15, 2014, due October 15, 2019, payable in monthly installments to Ford Motor Credit of $489, including interest, secured by real property.	**21,950**	-
Total debt	**645,023**	644,267
Current maturities of long-term debt	**(79,446)**	(75,732)
Long-term debt	**$ 565,577**	$ 568,535

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Principal payments for future fiscal years are as follows:

2016	$ 79,446
2017	76,267
2018	64,244
2019	67,315
2020	62,335
Thereafter	295,416
	$ 645,023

Interest expense on long-term debt for the years ended June 30, 2015 and 2014 was $28,328 and $21,542, respectively.

NOTE 8 – RENT-FREE USE OF FACILITIES

During 2015 and 2014, the Organization was furnished free use of facilities at four locations from unrelated parties. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of a public education facility. The aggregate fair market value of the use of these facilities is approximately $44,216 per month. These amounts are recorded as contributions in support and revenues in the statements of activities and changes in net assets and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to $530,597 and $489,211 for the years ended June 30, 2015 and 2014, respectively. The commitments for the use of these facilities expire at various times through 2030. The Organization has made cumulative improvements to the buildings, which amount to approximately $649,899 and are depreciating those improvements over the shorter of the economic life of improvements or the lease agreement.

NOTE 9 – MAJOR SUPPORT

For the years ended June 30, 2015 and 2014, the Organization earned 61% and 60%, respectively, of its support and revenues from Medicaid reimbursement arrangements. Accounts receivable included $874,549 and $1,008,313 from this source for the years ended June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, Medicaid receivables account for 71% and 82% of total accounts receivable, respectively.

NOTE 10 – ECONOMIC DEPENDENCY

The Organization receives state funding on a per diem per client/unit basis as well as state and parish grants on a per diem basis. If significant budget cuts are made at the state and/or local levels, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

NOTE 11 – PAYMENTS TO AFFILIATES

The Organization paid $17,400 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2015 and 2014 for annual dues.

NOTE 12 – RETIREMENT PLAN

Effective July 1, 1999, the Organization adopted a 401(k) retirement plan that covers most of its employees. The Organization matches 50% of employee salary contributions up to 6% of compensation. These matching contributions amounted to $35,607 and $34,209 for the years ended June 30, 2015 and 2014, respectively and is included in the benefits column on the statement of functional expense.

NOTE 13 – CONTINGENCY

The Organization is involved in legal matters and unasserted claims arising in the ordinary course of business. Management and legal counsel are in the process of reviewing and evaluating these actions and possible claims. Management has not established a reserve as the outcome of the litigation is undetermined as of June 30, 2015 and 2014.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 10, 2015, and determined that except as noted in note 6, there are no other events that have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

OTHER INDEPENDENT AUDITOR'S REPORT

CRI CARR RIGGS & INGRAM
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The Arc of Greater New Orleans
Metairie, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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 December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and responses as item 2015-1 to be a material weakness.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over compliance that we considered to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Arc of Greater New Orleans' Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C

December 10, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of The ARC of Greater New Orleans (the Organization).

2. A material weakness in internal control over financial reporting is reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. No management letter was issued for the year ended June 30, 2015.

FINDINGS

2015-01 – Material weakness: Misappropriation of Assets

Criteria: The Organization should have a system of internal controls over cash receipts to ensure the safeguarding of assets.

Condition: Management identified misappropriation of assets committed by Natasha M. Burrows, Director of the Uptown Learning Center, relating to the collection of cash and checks for child tuition payments and not remitting the funds to the Organization. After the Director resigned in January 2015, a forensic review by a third party indicated the misappropriation occurred from August 2013 up until her resignation and totaled approximately $187,000. Controls over cash receipts were not operating effectively during the period sufficient to prevent or detect the misappropriation of assets on a timely basis.

Effect: The Organization's funds have been misappropriated.

Cause: The Organization did not have policies and procedures in place to ensure proper internal control over cash receipts.

Auditor's recommendation: The Organization should ensure that the proper policies and procedures are in place around internal controls over cash receipts.

View of Responsible Officials and Planned Corrective Action: The Arc of Greater New Orleans should have a system of internal controls over receipts to ensure the safeguarding of assets. Management identified misappropriation of assets committed by a single employee of The Arc of Greater New Orleans related to collecting cash, and checks made out to cash, and not remitting the funds to the Accounting Department. An internal investigation, verified by a forensic review by a third party, indicated the total asset misappropriation was approximately $187,000. Controls over receipts were not operating effectively during the period sufficient to prevent/detect improper receipts on a timely basis. The Arc of Greater New Orleans had Crime insurance coverage and has recovered $187,000, with a supplemental claim for an additional $5,300. The Arc of Greater New Orleans has established and implemented controls going forward that are sufficient to safeguard assets. The insurance company took Natasha to court and on December 11, 2015, she pleaded guilty to Felony Theft.

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None noted.

SUPPLEMENTARY INFORMATION

THE ARC OF GREATER NEW ORLEANS
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2015

Agency Head Name: Cliff Doescher, Executive Director

Purpose		***Amount***
Salary	**$**	**0**
Benefits-health insurance		**0**
Benefits-retirement		**0**
Deferred compensation		**0**
Workers comp		**0**
Benefits-life insurance		**0**
Benefits-long term disability		**0**
Benefits-Fica & Medicare		**0**
Car allowance		**0**
Vehicle provided by government		**0**
Cell phone		**0**
Dues		**0**
Vehicle rental		**0**
Per diem		**0**
Reimbursements		**0**
Travel		**0**
Registration fees		**0**
Conference travel		**0**
Unvouchered expenses		**0**
Meetings & conventions		**0**
Other		**0**
Total	**$**	**0**

See independent auditor's report.