THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2020

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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January 27, 2021

The Board of Directors
The Arc Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc Caddo-Bossier as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited The Arc Caddo-Bossier's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 17 through 19 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 27, 2021, on our consideration of The Arc Caddo-Bossier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Caddo-Bossier's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS	June 30, 2020	June 30, 2019
Cash and cash equivalents	3,102,653	2,390,481
Investments-Notes 8 and 13	3,780,256	3,835,903
Accounts receivable-Note 4	1,452,500	1,708,382
Prepaid expenses and other assets	259,881	251,687
Land, building and equipment, net-Note 5	2,532,401	2,441,561
Beneficial interest in foundation-Note 14	6,508,052	6,821,303
Total assets	17,635,743	17,449,317

LIABILITIES AND NET ASSETS		
Accounts payable	151,178	134,324
Accrued payroll and related liabilities	738,877	603,859
Accrued expenses	84,874	79,162
Total liabilities	974,929	817,345
Net assets:		
Without donor restrictions:-Note 3		
Undesignated	8,761,875	8,625,765
Designated by the Board	1,323,743	1,158,485
	10,085,618	9,784,250
With donor restrictions-Note 3	6,575,196	6,847,722
Total net assets	16,660,814	16,631,972
Total liabilities and net assets	17,635,743	17,449,317

The accompanying notes are an integral part of the financial statements.

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	June 30, 2020	June 30, 2019
Public support and revenue:				
Public support:				
State of Louisiana	341,222	-	341,222	351,577
Title XIX	11,139,712	-	11,139,712	10,963,196
United Way	1,577	-	1,577	10,000
Contributions	542,382	40,725	583,107	251,400
Service fees	657,342	-	657,342	523,497
Other public support	26,738	-	26,738	37,622
Total public support	12,708,973	40,725	12,749,698	12,137,292
Revenue:				
Sales revenue	3,356,502	-	3,356,502	3,409,883
Membership dues	6,500	-	6,500	5,460
Net investment (loss) income-Note 8	(55,475)	-	(55,475)	154,772
Change in interest in Foundation	-	(313,251)	(313,251)	277,115
Other income	59,512	-	59,512	103,847
Total revenue	3,367,039	(313,251)	3,053,788	3,951,077
Total public support and revenue	16,076,012	(272,526)	15,803,486	16,088,369
Net assets released from restrictions	-	-	-	-
Expenses:				
Adult services	4,513,940	-	4,513,940	4,209,434
Children services	930,758	-	930,758	976,748
Residential services	8,607,542	-	8,607,542	9,168,268
Leisure services	295,860	-	295,860	290,072
Management and general	1,426,544	-	1,426,544	1,376,647
Total expenses	15,774,644	-	15,774,644	16,021,169
Change in net assets	301,368	(272,526)	28,842	67,200
Net assets-beginning of year	9,784,250	6,847,722	16,631,972	16,564,772
Net assets-end of year	10,085,618	6,575,196	16,660,814	16,631,972

The accompanying notes are an integral part of the financial statements.

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services		
	Adult Services	Children Services	Residential Services
Salaries	2,868,535	680,548	6,031,770
Payroll taxes	222,044	51,764	473,108
Other employee expenses	511,885	40,438	535,801
Total salaries and payroll related expenses	3,602,464	772,750	7,040,679
Professional	9,590	110	6,256
Insurance	93,812	4,653	74,691
Licenses	650	200	312,921
Office expense	13,690	3,135	13,361
Postage and publication	857	1,222	2,161
Dues and subscriptions	698	1,375	819
Telephone	15,811	1,928	16,984
Repairs and maintenance	90,184	10,983	111,934
Building services	3,250	9,424	38,987
Training	1,861	1,012	38,622
Travel and conventions	12,848	552	44,011
Operating supplies	307,787	14,144	8,443
Utilities	115,483	12,634	105,802
Vehicle and equipment lease	51,082	2,410	25,227
Property tax	-	-	-
Food	76	53,901	156,764
Household supplies	3,413	3,557	28,054
Clothing	-	-	7,425
Personal necessities	-	-	16,064
Medical and therapy	-	192	37,842
Transportation and outing	-	-	1,271
Consultant fees	-	-	369,517
Interest	-	-	-
Other	91,626	147	48,821
Total other expenses before depreciation	812,718	121,579	1,465,977
Total expenses before depreciation	4,415,182	894,329	8,506,656
Depreciation expense	98,758	36,429	100,886
Total expenses	4,513,940	930,758	8,607,542

The accompanying notes are an integral part of the financial statements.

Program Services	Supporting Services		
Leisure Services	Management and General	June 30, 2020	June 30, 2019
130,764	834,029	10,545,646	10,630,539
10,374	62,868	820,158	839,970
1,051	103,633	1,192,808	1,275,337
142,189	1,000,530	12,558,612	12,745,846
1,100	142,655	159,711	158,298
9,948	93,766	276,870	265,982
-	-	313,771	315,595
3,555	18,873	52,614	65,294
113	1,413	5,766	8,190
145	20,232	23,269	22,824
4,787	5,715	45,225	42,216
3,626	17,609	234,336	241,311
7,026	15,868	74,555	104,740
2,364	3,570	47,429	64,686
1,495	18,655	77,561	105,511
43,081	8,956	382,411	418,588
6,810	11,019	251,748	284,217
-	21,583	100,302	88,864
-	88	88	-
528	675	211,944	207,108
-	237	35,261	35,798
-	-	7,425	9,583
-	-	16,064	14,782
6,163	1,883	46,080	40,645
-	-	1,271	1,712
1,775	-	371,292	229,174
-	51	51	-
4,684	2,100	147,378	208,768
97,200	384,948	2,882,422	2,933,886
239,389	1,385,478	15,441,034	15,679,732
56,471	41,066	333,610	341,437
295,860	1,426,544	15,774,644	16,021,169

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020	June 30, 2019
Cash flows from operating activities:		
Change in net assets	28,842	67,200
Adjustments to reconcile change in net assets to net cash provided (used) by operating expenses:		
Depreciation	333,610	341,437
(Gain) on sale of fixed assets	(6,121)	-
Net realized and unrealized (gains) losses on investments	154,584	(71,287)
Change in interest in Foundation	123,962	(277,115)
(Increase) decrease in accounts receivable	255,882	(404,914)
(Increase) in prepaid expenses and other assets	(8,194)	(119,417)
Increase in accounts payable	16,854	30,533
Increase in payroll liabilities	135,018	55,972
Increase (decrease) in accrued expenses	5,712	(7,660)
Total adjustments	1,011,307	(452,451)
Net cash provided (used) by operating activities	1,040,149	(385,251)
Cash flows from investing activities:		
Sales of investments	404,363	1,250,339
Purchase of investments	(503,300)	(1,333,980)
Distributions from Foundation	189,289	206,000
Purchase of fixed assets	(428,157)	(257,765)
Proceeds from sale of fixed assets	9,828	-
Net cash (used) by investing activities	(327,977)	(135,406)
Net increase (decrease) in cash and cash equivalents	712,172	(520,657)
Cash and cash equivalents at beginning of year	2,390,481	2,911,138
Cash and cash equivalents at end of year	3,102,653	2,390,481
Supplemental disclosures:		
Cash paid for interest	-	-

The accompanying notes are an integral part of the financial statements.

THE ARC CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

1. **Nature of Business**

The Arc Caddo-Bossier is a not-for-profit public service association. Revenues are derived primarily from the following:

a) State of Louisiana, generally under third-party reimbursement plans
b) Title XIX, under third-party reimbursement plans
c) Service fees
d) Contributions from the general public
e) Contract work by the handicapped clients for various types of companies
f) Investment income

The Arc provides services to the mentally handicapped of all ages in northwest Louisiana, generally in the following functional areas:

a) Adult Services – provides day habilitation and employment for full and part-time adult workers with disabilities, generally in custodial, linen, filter and lawn services, and through sheltered employment and employment-related training.

b) Children Services – provides childcare and developmentally appropriate educational experiences to enrolled children aged six weeks to five years of age, both with and without disabilities.

c) Residential Services – provides an array of community living services for children and adults with disabilities and their families, including supported independent living, long-term personal care, personal care attendant, respite care, and elderly disabled adult waiver.

d) Leisure Services – provides therapeutic services to adults and children with disabilities through horseback riding.

2. **Summary of Significant Accounting Policies**

a) Financial Statement Presentation:
The Arc is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of The Arc and changes therein may be classified and reported as follows:

Without donor restrictions-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 3.

With donor restrictions-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc, the passage of time, or that they be maintained permanently. Donor restricted net assets are detailed in Note 3.

2. Summary of Significant Accounting Policies (Continued)

b) Contributions:
Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

c) 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

d) Investments:
Investments are accounted for at fair value. Realized gains and losses on the sale of securities are determined using the specific identification method. Net investment return is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized gains and losses. Investment income is reported net of external investment expenses.

e) Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f) Land, Building and Equipment:
Land, building and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset	Estimated Life
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of $5,000 are capitalized.

g) Advertising Costs:
When significant, costs of advertising are expensed as incurred.

h) Consolidation:
The financial statements include the accounts of The Arc and Great Results Equine Assisted Therapies (GREAT), a not-for-profit corporation that uses horseback riding as a therapeutic aid to handicapped individuals. GREAT merged with The Arc in 2001, with approximate net assets of $25,000. All significant intercompany transactions have been eliminated in the consolidated financial statements.

2. **<u>Summary of Significant Accounting Policies</u>** **(Continued)**

i) <u>Income Taxes</u>:
As nonprofit, privately supported organizations, both The Arc and GREAT are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but each must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Arc and GREAT are required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they continue to qualify as tax-exempt entities. They also must consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax-exempt entities, they must assess whether they have any tax positions associated with unrelated business income subject to income tax. Neither entity expects these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

The Arc and GREAT are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2017 and beyond remain subject to examination by the Internal Revenue Service.

j) <u>Functional Expenses</u>:
The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fund-raising expenses are not significant.

k) <u>Cash Equivalents</u>:
For purposes of the statement of cash flows, The Arc considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

l) <u>Compensated Absences</u>:
Annual leave is earned by employees as follows:

Length of Service	Annual Leave Earned
Less than three months	None
From four months to one year	Eleven days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

2. **Summary of Significant Accounting Policies** **(Continued)**

m) Trade Receivables:
Trade receivables from contract work, service fees, and other third-party reimbursement plans and service fees that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount, less any related allowance for doubtful receivables. Management periodically reviews its outstanding receivables for collectability. Past due status of receivables is based on their contractual terms. Amounts received under third-party reimbursement plans are subject to adjustment by the payer, and also may be subject to subsequent audit. Management believes the possibility of adjustments of material amount is remote.

n) Accounting Guidance/Principles Not Yet Adopted:
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in U.S. GAAP, and will become effective for The Arc for fiscal years beginning after December 15, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Arc currently is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures, and has not yet selected a transition method.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Arc currently is evaluating the potential impact of adopting this guidance on its financial statements.

3. **Net Assets**

Net assets consist of the following:

	June 30, 2020	June 30, 2019
Net assets without donor restrictions:		
Undesignated:		
Without Board designations	6,229,474	6,184,204
Invested in property and equipment, net of related debt	2,532,401	2,441,561
Total undesignated	8,761,875	8,625,765
Designated by the Board:		
For adult services	48,913	47,222
For worker's compensation claims	1,274,830	1,111,263
Total designated	1,323,743	1,158,485
Total without donor restrictions	10,085,618	9,784,250
Net assets with donor restrictions:		
For purposes to be determined by The Arc Caddo-Bossier Foundation	6,458,052	6,771,303
For purposes of child services education	67,144	26,419
Restricted in perpetuity through The Arc Caddo-Bossier Foundation	50,000	50,000
Total with donor restrictions	6,575,196	6,847,722
Total net assets	16,660,814	16,631,972

4. **Accounts Receivable**

Accounts receivable due The Arc at year end are as follows:

	June 30, 2020	June 30, 2019
Contract work	458,037	483,199
State of Louisiana	7,149	24,260
Title XIX	937,321	1,082,680
Other	49,993	118,243
Total	1,452,500	1,708,382

Receivables from contract work arise from credit granted to various businesses located in the Shreveport area. Receivables from the State of Louisiana and Title XIX arise from funds due The Arc under various grants and third party payee arrangements, and which are unpaid as of the end of the fiscal year. Title XIX receivables are presented net of an allowance for estimated denied claims of $213,472 and $207,386 for the years ended June 30, 2020 and 2019, respectively.

5. **Land, Building, and Equipment**

Land, building, and equipment is composed of the following:

	June 30, 2020	June 30, 2019
Buildings	3,440,354	3,401,864
Improvements	2,189,581	2,029,676
Equipment	3,220,404	3,053,236
Vehicles	633,798	634,546
Total depreciable assets	9,484,137	9,119,322
Accumulated depreciation	(7,396,269)	(7,139,064)
Book value of depreciable assets	2,087,868	1,980,258
Land	437,566	437,566
Construction in progress	6,967	23,737
Book value of fixed assets	2,532,401	2,441,561

6. **Commitments**

The Arc leases many of its vehicles and equipment, generally over one to five year terms, under operating lease arrangements. Future minimum lease payments for the years ending June 30 are as follows:

2021	87,974
2022	43,651
2023	36,814
2024	29,008
2025	3,559
	201,006

7. **Other Employee Expenses**

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% discretionary employer match for employee contributions up to 2% of employee salary. The Arc made no contributions to this plan for the years ending June 30, 2020 and 2019.

8. Investments

Investments are summarized as follows:

	June 30, 2020		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	956,437	975,848	19,411
Equity funds	2,421,222	2,728,644	307,422
Money market funds	75,764	75,764	-
Totals	3,453,423	3,780,256	326,833

	June 30, 2019		
	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	541,133	546,355	5,222
Equity funds	2,362,483	2,843,550	481,067
Money market funds	445,998	445,998	-
Totals	3,349,614	3,835,903	486,289

Investment income consists of the following:

	June 30, 2020	June 30, 2019
Interest and dividends	116,933	101,247
Net realized gains	4,413	29,532
Net unrealized gains (losses)	(158,997)	41,755
Investment management fees	(17,762)	(17,762)
	(55,413)	154,772

9. Line of Credit and Borrowings

The Arc has a line of credit with a local bank, renewed in January 2020, with a maximum borrowing limit of $100,000. The credit line is secured by an investment brokerage account having an estimated market value of $3,780,256 at June 30, 2020. Interest is variable, based on 2.65% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2020 and 2019.

10. Conditional Promises

Conditional promises consist of the unfunded portions of approved grants, either currently in effect or approved for commencement after June 30, 2020. Future funding of such awards is conditioned upon the organization’s operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately $358,000 and $328,000, respectively, at June 30, 2020 and 2019.

11. Related Party Transactions

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.h, The Arc controls and has a financial or economic interest in Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development. Summarized financial data for this entity follows:

Louisiana Disabled Persons Housing Corporation
Summarized Statements of Net Assets
June 30, 2020 and 2019

	2020	2019
Current assets	15,460	38,829
Fixed assets, net	308,433	321,565
Other assets	41,955	29,397
Total assets	365,848	389,791
Current liabilities	52,115	60,757
Long-term debt, less current portion	314,556	348,883
Total liabilities	366,671	409,640
Net assets (deficit)	(823)	(19,849)
Total liabilities and net assets	365,848	389,791

Louisiana Disabled Persons Housing Corporation
Summarized Statements of Activities
June 30, 2020 and 2019

	2020	2019
Income	237,204	275,868
Expenses	218,178	232,568
Change in net assets	19,026	43,300
Net assets (deficit), beginning	(19,849)	(63,149)
Net assets (deficit), ending	(823)	(19,849)

11. Related Party Transactions (Continued)

Transactions between all entities related to The Arc are summarized below:

	June 30, 2020			
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	655,825	(7,844)	(638,582)	(9,399)

	June 30, 2019			
	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	731,475	(69,968)	(645,075)	(16,432)

12. Liquidity and Availability

The Arc manages its financial assets available to meet general operating expenditures with the guiding principle of operating within a prudent range of financial soundness and stability. At June 30, 2020 and 2019, financial assets (net of applicable donor restrictions) consisting of cash, cash equivalents, and accounts receivable that are available for general operating expenditure within one year of the balance sheet date amounted to $4,488,009 and $4,072,444. Although not routinely accessed for general operations, the portfolio of marketable securities of $3,780,256 and $3,835,903 at June 30, 2020 and 2019 also is available for operating purposes. In addition, a credit facility of $100,000 is in place for borrowing needs.

13. Fair Value Measurements

The following tables present The Arc's fair value hierarchy for assets measured at fair value on a recurring basis:

Assets at Fair Value as of June 30, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	75,764	-	-	75,764
Equity funds	2,728,644	-	-	2,728,644
Bond funds	975,848	-	-	975,848
Total	3,780,256	-	-	3,780,256

13. Fair Value Measurements (Continued)

	Assets at Fair Value as of June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	445,998	-	-	445,998
Equity funds	2,843,550	-	-	2,843,550
Bond funds	546,355	-	-	546,355
Total	3,835,903	-	-	3,835,903

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1).

14. Beneficial Interest in Foundation

Beneficial interest represents The Arc's share of net assets available to The Arc from The Arc Foundation, which was created in 1997 to promote and support the purposes of The Arc. Originally organized such that its membership consisted of the board members of The Arc, The Foundation was part of the consolidated financial statements of The Arc. Effective at the beginning of fiscal year 2013, The Foundation's membership was changed to consist only of members of its own board, no more than forty-nine percent of whom may be members of the board of The Arc. As a result, The Arc no longer includes The Foundation in consolidation, but records its share of The Foundation's net assets because it is a financially interrelated organization.

Funds belonging to The Foundation are not automatically available to The Arc, but must be requested for specific purposes through a formal process that The Foundation controls. This process involves a review of amounts available for annual distribution and formal approval of funding requests by The Foundation's board. The Foundation transferred $189,289 and $206,000 to The Arc during the years ended June 30, 2020 and 2019.

15. Subsequent Events

The Arc and GREAT are required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the consolidated financial statements. Each entity performed such an evaluation through January 27, 2021, the date which the consolidated financial statements were available to be issued, and, except for the information contained in the next paragraph, noted no such subsequent events.

The World Health Organization declared the coronavirus outbreak a pandemic in March 2020. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of substantially all countries around the world, including the geographical area in which The Arc and GREAT operate. While the disruption currently is expected to be temporary, there is considerable uncertainty about its duration. Although the pandemic could negatively affect the operating results of the The Arc and GREAT, the amount of that impact and its duration cannot be reasonably estimated at this time. The Arc has been awarded grants of $219,264 in September 2020 and $146,382 in December 2020 under the CARES Provider Relief Funds Program as a result of the pandemic.

SUPPLEMENTARY INFORMATION

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2020

	Adult Services	Children Services	Residential Services
Public support and revenue:			
Public support:			
State of Louisiana	70,503	215,533	55,186
Title XIX	1,022,892	-	10,116,820
United Way	-	1,577	-
Contributions	-	273,156	22,635
Service fees	225,311	383,047	-
Other public support	-	26,711	-
Total public support	1,318,706	900,024	10,194,641
Revenue:			
Sales revenue	3,356,502	-	-
Membership dues	-	-	-
Net investment (loss)	-	-	-
Change in interest in Foundation	-	-	-
Other income	6,001	3,625	26,225
Total revenue	3,362,503	3,625	26,225
Total public support and revenue	4,681,209	903,649	10,220,866
Total salaries and payroll related expenses	3,602,464	772,750	7,040,679
Total other expenses before depreciation	812,718	121,579	1,465,977
Total expenses before depreciation	4,415,182	894,329	8,506,656
Depreciation expense	98,758	36,429	100,886
Total expenses	4,513,940	930,758	8,607,542
Change in net assets	167,269	(27,109)	1,613,324

Leisure Services	Management and General	Total
-	-	341,222
-	-	11,139,712
-	-	1,577
271,986	15,330	583,107
48,984	-	657,342
-	27	26,738
320,970	15,357	12,749,698
-	-	3,356,502
-	6,500	6,500
-	(55,475)	(55,475)
-	(313,251)	(313,251)
2,098	21,563	59,512
2,098	(340,663)	3,053,788
323,068	(325,306)	15,803,486
142,189	1,000,530	12,558,612
97,200	384,948	2,882,422
239,389	1,385,478	15,441,034
56,471	41,066	333,610
295,860	1,426,544	15,774,644
27,208	(1,751,850)	28,842

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-

ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS

FOR THE YEAR ENDED JUNE 30, 2020

	Adult Services Per Books	Eliminations Increase (Decrease)	Adult Services Per Report
Public support and revenue:			
Public support:			
State of Louisiana	70,503	-	70,503
Title XIX	1,022,892	-	1,022,892
Contributions	-	-	-
Service Fees	450,622	(225,311)	225,311
Total public support	1,544,017	(225,311)	1,318,706
Revenue:			
Sales revenue	3,356,502	-	3,356,502
Other income	6,001	-	6,001
Total revenue	3,362,503	-	3,362,503
Total public support and revenue	4,906,520	(225,311)	4,681,209
Total salaries and payroll related expenses	3,602,464	-	3,602,464
Total other expenses before depreciation	812,718	-	812,718
Total expenses before depreciation	4,415,182	-	4,415,182
Depreciation expense	98,758	-	98,758
Total expenses	4,513,940	-	4,513,940
Change in net assets	392,580	(225,311)	167,269

Residential Services Per Books	Eliminations Increase (Decrease)	Residential Services Per Report
55,186	-	55,186
10,116,820	-	10,116,820
22,635	-	22,635
-	-	-
10,194,641	-	10,194,641
-	-	-
26,225	-	26,225
26,225	-	26,225
10,220,866	-	10,220,866
7,040,679	-	7,040,679
1,691,288	(225,311)	1,465,977
8,731,967	(225,311)	8,506,656
100,886	-	100,886
8,832,853	(225,311)	8,607,542
1,388,013	225,311	1,613,324

THE ARC CADDO-BOSSIER

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

FOR THE YEAR ENDED JUNE 30, 2020

Agency Head: Janet Parker

Salary	89,431
Cell phone	724
Car lease	5,616
Travel	3,021
Training	2,372
Conference travel	2,988
Car insurance	2,758

OTHER REPORTS

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

January 27, 2021

The Board of Directors
The Arc Caddo-Bossier
Shreveport, Louisiana

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*

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 consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated 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 January 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc Caddo-Bossier's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc Caddo-Bossier's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Arc Caddo-Bossier's internal control over financial reporting.

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 consolidated 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc Caddo-Bossier's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

THE ARC CADDO-BOSSIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Arc Caddo-Bossier.
2. No significant deficiencies and no material weaknesses relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of The Arc Caddo-Bossier were disclosed during the audit.
4. The Arc Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC CADDO-BOSSIER

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

No matters were reported in the prior year.

THE ARC CADDO-BOSSIER

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

No findings