The Arc of East Ascension
Gonzales, Louisiana
June 30, 2024

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HAWTHORN
WAYMOUTH
& CARROLL, L.L.P.
Certified Public Accountants

Louis C. McKnight, III, CPA
Charles R. Pevey, Jr., CPA
David J. Broussard, CPA
Brittany B. Thames, CPA
Kevin M. Rodriguez, CPA

Independent Accountant's Review Report

To the Board of Trustees of
The Arc of East Ascension
Gonzales, Louisiana

We have reviewed the accompanying financial statements of The Arc of East Ascension (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants, and the standards applicable to review engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of The Arc of East Ascension and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

8545 United Plaza Blvd., Suite 200, Baton Rouge, LA 70809 • Telephone: 225.923.3000 • Fax: 225.923.3008

Supplementary Information

The accompanying schedule of compensation, benefits, and other payments to the agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic 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 supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and do not express an opinion on such information.

Hawthorn, Waymouth & Carroll, L.L.P.

December 3, 2024

The Arc of East Ascension
Statement of Financial Position
June 30, 2024
(See Independent Accountant's Review Report)

	Assets	
Assets		
Cash and cash equivalents	$	1,461,176
Investments		2,392,629
Certificates of deposit		424,904
Accounts receivable		68,346
Accrued interest receivable		4,796
Prepaid expenses		10,854
Security deposit		1,750
Operating lease right-of-use asset		47,663
Property and equipment, net		1,303,903
Total assets	$	5,716,021
	Liabilities and Net Assets	
Liabilities		
Accounts payable	$	14,554
Accrued liabilities		109,335
Operating lease liability		47,663
Deferred revenue		123,200
Total liabilities		294,752
Net Assets		
Without donor restrictions		5,421,269
Total liabilities and net assets	$	5,716,021

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

The Arc of East Ascension
Statement of Activities
Year Ended June 30, 2024
(See Independent Accountant's Review Report)

	Without Donor Restrictions
Revenue and Other Support	
Program service fees	$ 2,319,536
Public support:	
Cash contributions, fundraising, and special events	394,775
Contributions of nonfinancial assets	131,855
Other revenue:	
Sales to public	32,348
Rental income	34,800
Net investment income	216,327
Miscellaneous income	26,531
Revenue and other support	3,156,172
Expenses	
Program services	2,822,884
Support services:	
General and administrative	241,593
Fundraising	315,259
Total expenses	3,379,736
Change in Net Assets	(223,564)
Net Assets, beginning of year	5,644,833
Net Assets, end of year	$ 5,421,269

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

The Arc of East Ascension
Statement of Functional Expenses
Year Ended June 30, 2024
(See Independent Accountant's Review Report)

	Program Services							
	Adult Day Training	**Attendant Care Services**	**Supported Independent Living**	**Center-Based Respite Care**	**Total Program Services**	**General and Administrative**	**Fundraising**	**Total Expenses**
Compensation and related benefits								
Salaries and payroll taxes	$ 433,211	$ 331,987	$ 1,411,954	$ 73,569	$ 2,250,721	$ 47,253	$ 60,271	$ 2,358,245
Employee benefits	17,200	10,016	58,278	2,024	87,518	12,142	1,518	101,178
Total compensation and related benefits	450,411	342,003	1,470,232	75,593	2,338,239	59,395	61,789	2,459,423
Conferences and meetings	-	-	-	-	-	15,221	-	15,221
Insurance	35,998	36,933	54,710	23,835	151,476	42,548	20,093	214,117
Occupancy	21,754	6,722	-	26,415	54,891	14,063	4,076	73,030
Office supplies	7,768	7,768	7,768	7,768	31,072	42,973	7,768	81,813
Professional fees and contract services	6,840	6,840	6,840	6,840	27,360	9,982	6,840	44,182
Repairs and maintenance	3,008	2,172	3,008	1,973	10,161	9,003	1,973	21,137
Telephone	3,443	3,998	28,995	1,481	37,917	1,481	599	39,997
Training	1,125	1,313	5,908	187	8,533	375	469	9,377
Transportation	19,791	-	1,510	413	21,714	76	250	22,040
In-kind expense	-	-	-	-	-	-	131,855	131,855
Other expenses	65,262	152	4,930	17,666	88,010	20,918	78,748	187,676
Total expenses before depreciation	615,400	407,901	1,583,901	162,171	2,769,373	216,035	314,460	3,299,868
Depreciation	35,940	-	-	17,571	53,511	25,558	799	79,868
Total expenses	$ 651,340	$ 407,901	$ 1,583,901	$ 179,742	$ 2,822,884	$ 241,593	$ 315,259	$ 3,379,736

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

The Arc of East Ascension
Statement of Cash Flows
Year Ended June 30, 2024
(See Independent Accountant's Review Report)

Cash Flows from Operating Activities	
Change in net assets	$ (223,564)
Adjustments to reconcile change in net assets to net cash provided for operating activities:	
Depreciation	79,868
Realized gain on sale of investments	(6,048)
Net appreciation in fair value of investments	(114,506)
Amortization of operating lease right-of-use asset	14,800
Loss on disposal of property and equipment	233
(Increase) decrease in assets:	
Accounts receivable	(31,126)
Accrued interest receivable	87,937
Employee Retention Tax Credit receivable	912,319
Prepaid expenses	(219)
Security deposit	(1,750)
Operating lease right-of-use asset	(2,548)
Increase (decrease) in liabilities:	
Accounts payable	4,568
Accrued liabilities	49,248
Operating lease liability	(12,252)
Deferred revenue	(94,999)
Net cash provided for operating activities	661,961
Cash Flows from Investing Activities	
Purchase of property and equipment	(172,902)
Purchase of investments	(285,794)
Proceeds from sales and maturities of investments	267,171
Purchase of certificate of deposit	(250,000)
Increase in certificates of deposit	(8,998)
Net cash used in investing activities	(450,523)
Net Increase in Cash and Cash Equivalents	211,438
Cash and Cash Equivalents, beginning of year	1,249,738
Cash and Cash Equivalents, end of year	$ 1,461,176

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

Note 1-Nature of Organization

The Arc of East Ascension (referred to herein as "the Organization") is a non-profit agency that provides home and community-based services for individuals with intellectual and developmental disabilities through Medicaid Waiver options and Louisiana Rehabilitation Services. These services include Day Habilitation, Group Employment, Individual Supported Employment, Center-Based Respite, In-Home Services for Children, Attendant Care Services for individuals living with family, and Supported Independent Living Services for individuals living in their own home/apartment.

Note 2-Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on use of net assets without donor restrictions are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. At June 30, 2024, there were no net assets with donor restrictions.

B. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

C. Cash and Cash Equivalents

The Organization considers all money market funds and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.

D. Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in net investment income on the statement of activities.

Note 2-Summary of Significant Accounting Policies (Continued)

E. Certificates of Deposit

Certificates of deposit with banks mature within one year and are carried at cost, which approximates fair value. The certificates of deposit bear interest ranging from 1.92 – 4.33%.

F. Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less an allowance for credit losses. The Organization's allowance is estimated using a loss rate model based on aging and delinquency. The estimated loss rate is based on the Organization's historical experience, an understanding of current economic conditions, and management's judgments as to the likelihood of ultimate payment based upon available data. Management considers all accounts receivable at June 30, 2024 to be fully collectible and, therefore, did not establish an allowance for credit losses.

G. Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, which are as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	4 -7 years
Vehicles	5 years

Expenditures for additions of property and equipment in excess of $1,000 are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Donations of property and equipment are recorded as contributions at fair value on the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

H. Revenue Recognition

Program Service Fees

The majority of the Organization's revenue is derived from program service fees through third-party reimbursement arrangements. The program service fees are earned over time based upon contractually determined hourly rates associated with supervised living, attendant care and day habilitation services that are provided to developmentally disabled citizens. The supervised living services are billed on a monthly basis after the services are provided. The attendant care and day habilitation services are billed on a weekly basis after the services are provided. These revenues and the allowability of the related expenditures are subject to audits by the oversight agencies.

Note 2-Summary of Significant Accounting Policies (Continued)

H. Revenue Recognition (Continued)

Contributions and Grants

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Promises to give that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met. The Organization had no promises to give as of June 30, 2024.

Grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the services specified under the terms of the grant agreement. Advances under the grants are recorded as deferred income until such time as they can be recognized as revenue.

Deferred Revenue

Deferred revenue represents ticket sales and sponsorships collected in advance for the Organization's annual fundraiser, Dancing for a Cause. The revenue will be realized and recorded at the point when the fundraiser is held and expenses are incurred, which occurs subsequent to June 30th each year.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are reflected as revenue and expense in the accompanying financial statements at their estimated fair market values on the date of receipt. Nonfinancial assets were donated to the Organization to help aid in their mission. These donations were valued at approximately $131,855 for the year ended June 30, 2024, which consisted of advertising totaling $52,075, food and beverages totaling $69,280, and equipment rentals and supplies totaling $10,500 for the Dancing for a Cause event, the Organization's annual fundraising event.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts have been recognized in the statement of activities because the recognition criteria were not met.

I. Vacation Leave

Vacation is earned at varying rates depending on length of service. At June 30, employees have the option to defer a maximum of 40 hours. The amount deferred at June 30, 2024 of $21,705 has been recorded and is included in accrued liabilities on the statement of financial position.

Note 2-Summary of Significant Accounting Policies (Continued)

J. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Therefore, the Organization has not recorded a provision for income taxes in the accompanying financial statements and does not have any uncertain tax positions. Accordingly, the Organization files a Form 990, Return of Organization Exempt from Income Tax, to report the results of its operations to the IRS.

K. Leases

In accordance with ASC Topic 842, *Leases*, the Organization determines if an arrangement is a lease at inception primarily based on the determination of the party responsible for directing the use of an underlying asset within a contract. Thereafter, the Organization performs an analysis to classify the lease as either an operating lease or a finance lease. Operating lease right-of-use assets would represent the Organization's right to use an underlying asset for the lease term, and lease liabilities would represent the Organization's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

The Organization elected to not apply the recognition of ASC Topic 842 to short-term leases with terms of 12 months or less which do not include an option to purchase the underlying asset nor to leases with total lease amounts less than $5,000. These lease payments are recognized as operating expenses on a straight-line basis over the lease term. The Organization elected to account for lease and non-lease components as a single lease component.

L. Functional Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on a reasonable basis that is consistently applied. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization. The expenses that are allocated include depreciation and occupancy, which is allocated on a square-footage basis; insurance, supplies, telephone, repairs and maintenance, training, transportation, and other expenses, which are allocated based on a study of supply and asset usage; as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

M. Liquidity Management

At June 30, 2024, the following financial assets could be made readily available to meet general expenditures within one year of the date of the statement of financial position:

Cash and cash equivalents	$ 1,461,176
Investments	2,392,629
Certificates of deposit	424,904
Receivables	73,142
Financial assets available to meet cash needs for general expenditures within one year	$ 4,351,851

Note 2-Summary of Significant Accounting Policies (Continued)

M. Liquidity Management (Continued)

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. In addition to the above amounts, the Organization has a $150,000 line of credit with a financial institution, which is discussed further in Note 6.

N. Accounting Standards Recently Adopted

The Organization implemented FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The revised accounting guidance significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. The Organization adopted the standard effective July 1, 2023. There was no impact to the financial statements as a result of the adoption of this standard.

Note 3-Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds: Valued using amortized cost, which approximates fair value.

Mutual Funds: Valued based on quoted prices in active markets for identical securities.

Note 3-Fair Value Measurements (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 12,721	$ -	$ 12,721
Mutual funds invested in:				
Bonds	1,271,361	-	-	1,271,361
Stocks	1,108,547	-	-	1,108,547
Total investments	$ 2,379,908	$ 12,721	$ -	$ 2,392,629

Net investment income was comprised of the following for the year ended June 30, 2024:

Dividends and interest	$ 115,292
Net appreciation in fair value	114,506
Realized gain	6,048
	235,846
Less: investment fees	(19,519)
Net investment income	$ 216,327

Note 4-Property and Equipment

A summary of property and equipment, as of June 30, 2024, is as follows:

Land and land improvements	$ 273,444
Buildings and improvements	1,744,713
Furniture and equipment	348,914
Vehicles	457,048
	2,824,119
Less: accumulated depreciation	1,520,216
Property and equipment, net	$ 1,303,903

Note 5-Leasing Arrangements

A. Lessee Arrangements

The Organization entered into a 99-year lease agreement with the Parish of Ascension on March 1, 1982. The lease provides rights and title to the land on which the Organization's building is located. However, the lease becomes null and void if the leased premises are no longer used as an educational day facility for the individuals with intellectual development disabilities. Under the terms of the lease, the Organization pays an annual payment of $1.00.

The Organization also leases real estate under a non-cancellable operating lease expiring October 2026. The lease does not contain any renewal clauses or termination options that the Organization is reasonably certain to exercise, nor does it contain any material residual value guarantees or restrictive covenants. For this lease, the implicit rate was not available; therefore, the Organization used its incremental borrowing rate as the discount rate.

Lease operating cost, which is included in occupancy on the statement of functional expenses, amounted to $14,800 for the year ended June 30, 2024.

Future minimum lease payments under the non-cancelable operating lease as of June 30th are as follows:

2025	$ 22,200
2026	22,200
2027	7,400
Less: imputed interest	(4,137)
Operating lease liability	$ 47,663

As of June 30, 2024, the weighted-average remaining lease term was 2.33 years and the weighted-average discount rate was 7.00%.

Supplemental cash flow information related to the lease for the year ended June 30, 2024 is as follows:

Cash paid for amount included in the measurement of lease liability and ROU asset:	
Operating cash flow from operating lease	$ (14,800)

B. Lessor Arrangements

The Organization leases office space to an unrelated nonprofit organization under a non-cancelable operating lease through 2025. The lease term for the operating lease was for 12 months, and therefore was recognized as a short-term lease. Total lease revenue recognized under this lease was $34,800 for the year ended June 30, 2024.

Note 6-Line of Credit

The Organization has an unused $150,000 line of credit with a local bank. Interest is fixed at 6.33%. The line of credit is secured by two certificates of deposit, and matures on April 1, 2025.

Note 7-Program Service Fee Revenue

Program service fee revenue consisted of the following for the year ended June 30, 2024:

Adult Day Hab/Training	$ 381,151
Attendant Care Services	275,848
Supported Independent Living/Waiver Services	1,648,077
Center-Based Respite Care	14,460
Total program service fee revenue	$ 2,319,536

Note 8-Retirement Plan

The Organization adopted a 401(k)-profit sharing plan effective May 1, 2000, which covers substantially all full-time employees. The Organization has the discretionary right to determine the amount of any employer matching contributions for a plan year. The Organization did not make any contributions for the year ended June 30, 2024.

Note 9-Economic Dependency

The Organization derives a large portion of its revenue from Medicaid as earned revenue or grants, included in program service fees on the statement of activities, the loss of which would have a material adverse effect. For the year ended June 30, 2024, revenue derived from Medicaid accounted for approximately 72% of total revenue. Approximately 91% of accounts receivable at year-end were related to such revenue.

Note 10-Concentration of Credit Risk

The Organization maintains its cash balance in one financial institution. The amount on deposit is insured by Federal Deposit Insurance Corporation up to $250,000. At June 30, 2024, the Organization's uninsured cash balance totaled approximately $1.2 million. Management monitors the condition of the financial institution on a regular basis, along with the Organization's balance in cash to minimize the risk arising from unsecured deposits.

Note 11-Commitments and Contingencies

The Organization participates in a number of state programs with the Louisiana Department of Health which are subject to compliance audits. Such audits could lead to requests for reimbursement.

Note 12-Subsequent Events

Management of the Organization evaluated all subsequent events through December 3, 2024, the date the financial statements were available to be issued. As a result, management noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

Supplementary Information

The Arc of East Ascension
Schedule of Compensation, Benefits, and Other
Payments to Agency Head or Chief Financial Officer
Year Ended June 30, 2024

Agency Head Name: Raven LaBiche, Executive Director

Purpose	Amount
Salary	$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing Unvouchered expenses	-
Special meals	-

The Arc of East Ascension is a non-profit organization that receives public funds from time-to-time. During the fiscal year ended June 30, 2024, none of the Executive Director's compensation, benefits, or other payments were paid from public funds.

The Arc of East Ascension
Schedule of Findings and Responses
Year Ended June 30, 2024

<u>Findings – Financial Statement Review</u>

Noncompliance with Laws and Regulations

2024-001: Omission of Bonus Wages from Payroll

Condition:

Bonuses totaling $52,500 were issued to employees outside of the payroll system. The bonus wages were not included in Box 1 (wages, tips, other compensation) on affected employees' W-2 forms. As a result, the reported earnings on the W-2 forms were understated, and there were discrepancies in Social Security and Medicare contributions.

Criteria:

According to IRS regulations and payroll tax guidelines, all employee compensation, including bonuses, must be properly included in payroll calculations, subject to appropriate federal and state tax withholdings. Bonus wages must also be reported accurately on Form W-2 in Box 1 (wages, tips, and other compensation) and as applicable, in Boxes 3 and 5 for Social Security and Medicare wages.

Cause:

The omission of bonus wages from the payroll system appears to have resulted from a lack of clarity in payroll procedures regarding the processing of bonus payments.

Effect:

The failure to report bonus wages resulted in: underreported employee wages on W-2 forms (impacting employees' tax returns); incorrect withholding and employer contributions for FICA taxes; and increased risk of fines or penalties from the IRS for failure to comply with wage reporting requirements.

Accountant's Recommendation:

The Organization should (1) update payroll procedures to ensure all compensation types, including bonuses, are processed through the payroll system, (2) implement controls to verify that all forms of compensation are captured in payroll records and accurately reflected on W-2 forms, (3) correct and reissue affected W-2 forms, (4) amend all quarterly payroll tax filings for the affected period, and (5) remit any required additional payroll taxes (including interest and penalties) to the taxing authorities.

Management's Response:

The Arc of East Ascension will comply with recommendations provided by the accounting firm. (1) All bonuses will be submitted through the payroll department and submitted into our payroll system so that appropriate reporting and payroll taxes will be completed. (2) All compensation will be captured in payroll records and reflected on W-2 forms for all employees. (3) We will correct and reissue affected W-2 forms. (4) We will amend quarterly payroll tax filings for the affected period. (5) We will remit all required payroll taxes (including interest and penalties) to the taxing authorities.

The Arc of East Ascension
Summary of Prior Year Findings and Responses
Year Ended June 30, 2024

Findings – Financial Statement Review

No prior year findings.