# The Arc of Greater New Orleans

## FINANCIAL STATEMENTS

**June 30, 2021 and 2020**

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# REPORT

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**INDEPENDENT AUDITORS' REPORT**

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

**Opinion**

We have audited the accompanying financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Supplementary Information**

Our audits were 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 standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022, 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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Metairie, LA
March 28, 2022

# FINANCIAL STATEMENTS

## The Arc of Greater New Orleans
## Statements of Financial Position

| *June 30,* | | **2021** | | 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | **$** | **1,736,882** | $ | 1,416,340 |
| Accounts receivable | | **381,724** | | 545,281 |
| Employee retention tax credit receivable | | **1,401,049** | | - |
| Inventory | | **-** | | 7,079 |
| Prepaid expenses | | **59,827** | | 21,442 |
| Restricted trust fund | | **43,114** | | 27,597 |
| Other current assets | | **2,083** | | 4,005 |
| Total current assets | | **3,624,679** | | 2,021,744 |
| Property and equipment, net | | **1,178,444** | | 1,314,515 |
| Total assets | **$** | **4,803,123** | $ | 3,336,259 |
| **Liabilities and Net Assets** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued expenses | **$** | **484,922** | $ | 404,702 |
| Compensated absences | | **98,027** | | 95,499 |
| Refundable advance - Paycheck Protection Program (PPP) | | **893,575** | | 412,955 |
| Current maturities of notes payable | | **317,648** | | 328,796 |
| Total current liabilities | | **1,794,172** | | 1,241,952 |
| Notes payable, less current maturities | | **8,677** | | 25,935 |
| Total liabilities | | **1,802,849** | | 1,267,887 |
| Net assets | | | | |
| Without donor restrictions | | **2,929,774** | | 2,068,372 |
| With donor restrictions | | **70,500** | | - |
| Total net assets | | **3,000,274** | | 2,068,372 |
| Total liabilities and net assets | **$** | **4,803,123** | $ | 3,336,259 |

# The Arc of Greater New Orleans
## Statements of Activities

| *For the years ended June 30,* | **Without Donor Restrictions** | **With Donor Restrictions** | **2021 Total** | 2020 Summarized Total |
|---|---|---|---|---|
| **Revenues and Other Support** | | | | |
| Federal grant income | **$ 399,286** | **$ -** | **$ 399,286** | $ 42,750 |
| Contributions | **95,094** | **113,897** | **208,991** | 256,244 |
| United Way allocations | **42,963** | **-** | **42,963** | 46,865 |
| Client fees | **482,795** | **-** | **482,795** | 905,481 |
| Medicaid | **4,915,296** | **-** | **4,915,296** | 5,965,048 |
| Group home | **38,208** | **-** | **38,208** | 169,075 |
| PPP loan forgiveness | **598,705** | **-** | **598,705** | 886,645 |
| Other income | **15,000** | **-** | **15,000** | 10,186 |
| Other income - ERTC benefit | **1,401,049** | | **1,401,049** | - |
| Net assets released from restrictions | **43,397** | **(43,397)** | **-** | - |
| Total revenue and other support | **8,031,793** | **70,500** | **8,102,293** | 8,282,294 |
| **Expenses** | | | | |
| *Program services* | | | | |
| Employment services | **121,855** | **-** | **121,855** | 150,073 |
| Individual options | **1,529,815** | **-** | **1,529,815** | 1,507,346 |
| Project H.E.L.P. | **3,029,911** | **-** | **3,029,911** | 3,245,467 |
| Arc enterprises | **996,417** | **-** | **996,417** | 1,341,520 |
| Family service coordination | **218,574** | **-** | **218,574** | 246,551 |
| Total program services | **5,896,572** | **-** | **5,896,572** | 6,490,957 |
| *Supporting services* | | | | |
| General and administrative | **1,273,819** | **-** | **1,273,819** | 1,007,180 |
| Fundraising | **-** | **-** | **-** | 14,087 |
| Total supporting services | **1,273,819** | **-** | **1,273,819** | 1,021,267 |
| Total expenses | **7,170,391** | **-** | **7,170,391** | 7,512,224 |
| Change in Net Assets | **861,402** | **70,500** | **931,902** | 770,070 |
| Net assets at beginning of year | **2,068,372** | **-** | **2,068,372** | 1,298,302 |
| Net assets at end of year | **$ 2,929,774** | **$ 70,500** | **$ 3,000,274** | $ 2,068,372 |

| *For the year ended June 30,* | Program Services: Employment services | Program Services: Individual options | Program Services: Project H.E.L.P. | Program Services: Arc enterprises | Program Services: Family services coordination | Supporting Services: General and administrative | 2021 Total | 2020 Summarized Total |
|---|---|---|---|---|---|---|---|---|
| Salaries | $ 86,207 | $ 677,606 | $ 2,522,933 | $ 559,125 | $ 148,372 | $ 730,849 | **$ 4,725,092** | $ 5,139,975 |
| Benefits | 4,760 | 38,723 | 113,842 | 46,924 | 12,625 | 45,900 | **262,774** | 197,460 |
| Payroll taxes | 6,498 | 50,461 | 182,111 | 40,665 | 10,015 | 52,912 | **342,662** | 388,426 |
| Professional services | 5,165 | 20,812 | 93,823 | 32,708 | 9,701 | 151,665 | **313,874** | 299,314 |
| Supplies | 1,538 | 4,605 | 3,872 | 4,564 | 759 | 21,010 | **36,348** | 31,624 |
| Advertising | - | 18,749 | - | - | - | 39,786 | **58,535** | 20,472 |
| Telephone | 3,734 | 10,542 | 9,454 | 11,808 | 6,662 | 15,661 | **57,861** | 58,453 |
| Postage | - | 506 | - | 69 | 19 | 5,720 | **6,314** | 4,810 |
| Occupancy | 5,945 | 121,962 | 37,679 | 116,633 | 11,907 | 27,199 | **321,325** | 294,175 |
| Repairs and maintenance | 4,226 | 114,297 | 6,711 | 94,564 | 8,175 | 30,175 | **258,148** | 237,170 |
| Local transportation | 909 | 284,365 | 9,860 | 24,792 | 1,371 | 18,221 | **339,518** | 394,266 |
| Travel, conferences, and training | 1,092 | 5,710 | 37,291 | 5,055 | 790 | 17,734 | **67,672** | 85,637 |
| Printing and publications | - | 2,837 | - | 37 | - | 3,003 | **5,877** | 1,017 |
| Membership dues | 60 | 475 | - | 120 | - | 14,026 | **14,681** | 14,459 |
| Other expenses | 1,353 | 65,801 | 12,335 | 5,689 | 822 | 68,894 | **154,894** | 159,412 |
| Payments to affiliates | - | - | - | - | - | 9,946 | **9,946** | 11,571 |
| Interest | - | 2,587 | - | 10,409 | - | 6,149 | **19,145** | 27,174 |
| Bad debt expense | - | 800 | - | - | 7,356 | - | **8,156** | - |
| Depreciation | 368 | 108,977 | - | 43,255 | - | 14,969 | **167,569** | 146,809 |
| Total | **$ 121,855** | **$ 1,529,815** | **$ 3,029,911** | **$ 996,417** | **$ 218,574** | **$ 1,273,819** | **$ 7,170,391** | $ 7,512,224 |

## The Arc of Greater New Orleans
## Statements of Cash Flows

| *For the years ended June 30,* | | **2021** | | 2020 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Change in net assets | **$** | **931,902** | $ | 770,070 |
| Adjustments to reconcile change in net assets to | | | | |
| net cash provided by (used in) operating activities: | | | | |
| Gain on disposal of property | | **(15,000)** | | (10,186) |
| In-kind vehicle contribution | | **-** | | (119,103) |
| Bad debt expense | | **(8,156)** | | - |
| Depreciation | | **167,569** | | 146,809 |
| Forgiveness of refundable advance - PPP | | **(598,705)** | | (886,645) |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | | **171,713** | | 323,243 |
| ERTC receivable | | **(1,401,049)** | | - |
| Inventory | | **7,079** | | - |
| Prepaid expenses | | **(38,385)** | | 58,169 |
| Restricted trust fund | | **(15,517)** | | (8,741) |
| Other current assets | | **1,922** | | 3 |
| Accounts payable and accrued expenses | | **80,220** | | (97,146) |
| Compensated absences | | **2,528** | | 9,337 |
| Net cash provided by (used in) operating activities | | **(713,879)** | | 185,810 |
| **Investing Activities** | | | | |
| Purchases of property and equipment | | **(31,498)** | | (80,283) |
| Proceeds from sale of property and equipment | | **15,000** | | 10,186 |
| Net cash provided by (used in) investing activities | | **(16,498)** | | (70,097) |
| **Financing Activities** | | | | |
| Proceeds from from refundable advance - PPP | | **1,079,325** | | 1,299,600 |
| Payments on notes payable | | **(28,406)** | | (48,964) |
| Net cash provided by (used in) financing activities | | **1,050,919** | | 1,250,636 |
| Net change in cash and cash equivalents | | **320,542** | | 1,366,349 |
| Cash and cash equivalents at beginning of year | | **1,416,340** | | 49,991 |
| Cash and cash equivalents at end of year | **$** | **1,736,882** | $ | 1,416,340 |
| **SUPPLEMENTAL CASH FLOW INFORMATION** | | | | |
| Cash paid for interest | **$** | **19,145** | $ | 27,174 |

**Note 1: DESCRIPTION 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: Family Services Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Arc Enterprises (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.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and 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. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to accumulated depreciation and allocation of expenses by function.

***Comparative Financial Information***

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

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Accounts Receivable***

All receivables at June 30, 2021 and 2020, 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.

***Restricted Trust Fund***

The Organization has a trust fund set up with the 501(c) Agencies Trust which is used for the payment of any unemployment claims that arise during the year. The Organization has a reimbursable account with the Louisiana Workforce Commission (LWC), so when a claim is made LWC pays the unemployment and the Organization then reimburses the LWC through their trust account with 501(c) Agencies Trust. For the years ended June 30, 2021 and 2020 the amount available in the trust for unemployment claims was $43,114 and $27,597, respectively.

***Property and Equipment***

All acquisitions of property and equipment in excess of $1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

***Net Assets***

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it 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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Assets (continued)***

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

***Donated Services***

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

***Revenue Recognition***

Program service fees and payments under various contracts are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Organization recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. Income from program service fees received in advance are deferred and recognized over the periods to which the dates and fees relate. There were no amounts included in performance obligation liabilities within the statements of financial position.

A significant portion of the Organization’s grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to maintenance and upkeep of the entire facility are allocated across functional areas based on a fixed percentage.

***Advertising***

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June, 30 2021 and 2020, advertising costs totaled $58,535 and $20,472, respectively.

***Income Taxes***

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent, administration of self-insurance activities, and commissions. The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June, 30 2021 and 2020, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 28, 2022. See Note 19 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

***Recent Accounting Pronouncements***

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. For nonpublic entities, the standard is now effective for fiscal years beginning after December 15, 2021, as a delay in adoption was recently approved. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recent Accounting Pronouncements (continued)***

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance.

Effective June 30, 2021, the Organization adopted ASC 606, using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment to retained earnings recognized upon adoption. Therefore, the 2021 consolidated financial statements have not been restated and continue to be reported under the accounting standards in effect for that year. This change in accounting principal did not have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization elected not to early adopt the provisions of ASU 2016-02 for the year ended June 30, 2021. The Organization is currently evaluating the impact of the guidance on its financial statements.

**Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY**

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization’s expenditures come due. The following reflects the Organization’s financial assets as of the statement of financial positon date, reduced by amounts not available for general use within one year of the statement of financial positon date because of contractual or donor-imposed restrictions.

| *June 30,* | **2021** | 2020 |
|---|---|---|
| Total assets at year end | **$ 4,803,123** | $ 3,336,259 |
| Less non-financial assets | | |
| Prepaid expenses | **(59,827)** | (21,442) |
| Property and equipment, net | **(1,178,444)** | (1,314,515) |
| Financial assets at year-end | **3,564,852** | 2,000,302 |

**Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY (Continued)**

| | | |
|---|---|---|
| Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions | | |
| Restricted trust fund | **(43,114)** | (27,597) |
| Restricted by donor with time or purpose restrictions | **(70,500)** | - |
| Financial assets available to meet cash needs for general expenditures within one year | **$ 3,451,238** | $ 1,972,705 |

The Organization is principally supported by its dues and fees charged for the services it provides. The goal of the Organization is to maintain available financial assets to meet its next 90 days of operating expenses of approximately $1,800,000. In the event of unanticipated liquidity needs, the Organization has a line of credit with available borrowings of $250,000.

**Note 4: ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30:

| *June 30,* | **2021** | 2020 |
|---|---|---|
| Medicaid | **$ 270,789** | $ 480,357 |
| Other | **110,935** | 64,924 |
| Accounts receivable, net | **$ 381,724** | $ 545,281 |

For the year ended June 30, 2021, management wrote off $8,156 of outstanding receivables. For the year ended June 30, 2020, management did not write off any outstanding receivables.

**Note 5: PROPERTY AND EQUIPMENT, NET**

The components of property and equipment at June 30, 2021 and 2020, are as follows:

| | **Estimated Useful Lives (in years)** | **2021** | 2020 |
|---|---|---|---|
| Buildings | 10-31 | **$ 380,280** | $ 380,280 |
| Leasehold improvements | 10-31 | **1,175,518** | 1,149,790 |
| Furniture and equipment | 3-10 | **338,882** | 373,111 |
| Autos, trucks, and tractors | 3-10 | **1,429,229** | 1,554,110 |
| Total property and equipment | | **3,323,909** | 3,457,291 |
| Less: accumulated depreciation | | **(2,145,465)** | (2,142,776) |
| Property and equipment, net | | **$ 1,178,444** | $ 1,314,515 |

**Note 5: PROPERTY AND EQUIPMENT, NET (Continued)**

Depreciation expense was $167,569 and $146,809 for the years ended June 30, 2021 and 2020, respectively.

**Note 6: 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 $98,027 and $95,499 at June 30, 2021 and 2020, respectively.

**Note 7: NOTES PAYABLE**

Notes payable at June 30, 2021 and 2020, consists of the following:

| June 30, | **2021** | 2020 |
|---|---|---|
| 4.95% note payable, dated February 14, 2014, due on demand, secured by real property. If no demand is made, the note is due February 14, 2034, payable in monthly installments to Gulf Coast Bank of $2,487, including interest. | **$ 284,395** | $ 297,894 |
| 7.19% note payable, dated June 10, 2019, due June 10, 2025, payable in monthly installments to Ford Motor Credit of $518, including interest, secured by real property. | **21,745** | 26,284 |
| 6.94% note payable, dated May 24, 2017, due June 22, 2022, payable in monthly installments to Ford Motor Credit of $593, including interest, secured by real property. | **6,195** | 11,190 |
| 8.90% note payable, dated September 13, 2018, due September 13, 2022, payable in monthly installments to Ally Bank of $547, including interest, secured by real property. | **13,990** | 19,363 |
| Total notes payable | **326,325** | 354,731 |
| Current maturities of notes payable | **(317,648)** | (328,796) |
| Notes payable | **$ 8,677** | $ 25,935 |

Interest expense on notes payable for the years ended June 30, 2021 and 2020 was $19,145 and $27,174, respectively.

**Note 7: NOTES PAYABLE (Continued)**

If no demand is made on the above notes payable, maturities of notes payable subsequent to June 30, 2021, are as follows:

| For the years ending June 30, | | |
|---|---|---|
| 2022 | $ | 33,120 |
| 2023 | | 28,653 |
| 2024 | | 25,134 |
| 2025 | | 24,618 |
| 2026 | | 19,656 |
| Thereafter | | 195,144 |
| Total | **$** | **326,325** |

**Note 8: LINE OF CREDIT**

The Organization has a line of credit available totaling $250,000 with a maturity date of August 30, 2021. Subsequent to year-end, the Organization renewed the line of credit and extended the maturity date to August 30, 2022. The unpaid principal balance bears interest at the Prime Rate less 2%, adjusted daily, with a floor of 6.25%. Interest payments are due monthly. At June 30, 2021 and 2020, the Organization did not have an outstanding balance on its 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 through the date of this report, the Organization has not drawn on the line of credit.

**Note 9: NET ASSETS**

A summary of net assets without donor restrictions follows:

| *June 30,* | **2021** | 2020 |
|---|---|---|
| Undesignated | **$ 2,929,774** | $ 2,068,372 |
| Total net assets without donor restrictions | **$ 2,929,774** | $ 2,068,372 |

A summary of net assets with donor restrictions follows:

| *June 30,* | **2021** | 2020 |
|---|---|---|
| Purpose restricted | | |
| Program activities | **$ 18,500** | $ - |
| Community center renovations | **52,000** | - |
| Total net assets with donor restrictions | **$ 70,500** | $ - |

**Note 9: NET ASSETS (Continued)**

A summary of the release of donor restrictions follows:

| *For the years ended June 30,* | | **2021** | | 2020 |
|---|---|---|---|---|
| Purpose restrictions | | | | |
| Program activities | **$** | **21,402** | $ | - |
| Community center renovations | | **21,995** | | - |
| Total net assets with donor restrictions | **$** | **43,397** | $ | - |

**Note 10: REVENUE**

The Organization recognizes 100% of its revenue at a point in time, which consists of all grants, contributions client fees, Medicaid reimbursements, group home revenue, and other income. For the years ended June 30, 2021 and 2020, the Organization earned 61% and 73%, respectively, of its support and revenues from Medicaid reimbursement arrangements. The Organization received a fixed rate per encounter for its Medicaid program.

Accounts receivable included $270,789 and $480,357 from Medicaid reimbursement sources for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, Medicaid receivables account for 71% and 81% of total accounts receivable, respectively.

**Note 11: RENT-IN-KIND**

During 2021 and 2020, 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 an adult day habilitation facility. The aggregate fair market value of the use of these facilities is approximately $5,245 per month.

These amounts are recorded as contributions in support and revenues in the statements of activities and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to $62,394 for the years ended June 30, 2021 and 2020. The commitments for the use of these facilities expire at various times through 2030.

The Organization has made cumulative leasehold improvements to the buildings, which amount to approximately $1,175,518 and are depreciating those improvements over the shorter of the economic life of improvements or the lease agreements.

**Note 12: 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. During the year ended June 30, 2021, the Organization began maintaining deposits within a promontory insured cash sweep account. This account allows entities who maintain balances greater than the FDIC insurable limits to maintain their funds within their financial institution while funds are then placed between other reputable banks, allowing for an increase in coverage without the entity having to move the funds themselves.

At June 30, 2021 and 2020, the Organization had cash deposits in excess of the FDIC insured limit of $122,413 and $1,154,659, respectively.

**Note 13: ECONOMIC DEPENDENCY**

The Organization receives federal and 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 14: DEFINED CONTRIBUTION PLAN**

The Organization sponsors a defined contribution plan (the Plan) covering all employees who agree to make contributions to the Plan. The Organization matches 50% of participants' contributions to the Plan up to 6% of the individual participant's compensation. Total expense for the years ended June 30, 2021 and 2020 was $40,485 and $45,361, respectively.

**Note 15: PAYMENTS TO AFFILIATES**

The Organization paid $9,946 and $11,571 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2021 and 2020, respectively for annual dues.

**Note 16: PAYCHECK PROTECTION PROGRAM**

The PPP provides for forgivable loans to qualifying businesses. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities. The Organization believes it has met all the criteria for forgiveness of its second PPP loan and the likelihood of repayment is remote. Further, loans issued under $2 million may be subject to audit by the SBA. The Organization may be required to return a portion of the loan proceeds at the conclusion of the SBA audit. Any proceeds required to be returned will be repaid under the statutory terms of the PPP Program, including interest at 1%.

**Note 16: PAYCHECK PROTECTION PROGRAM (Continued)**

In April 2020, in response to the global pandemic, the Organization applied for and received a $1,299,600 loan through the Paycheck Protection Program under the CARES Act. Additionally, in March 2021, the Organization applied for and received a second loan in the amount of $1,079,325 through the Paycheck Protection Program under the CARES Act.

The Organization applied for forgiveness of its first loan for $1,299,600 and recorded $412,955 as PPP loan forgiveness revenue during fiscal year-end 2021, and $886,645 as PPP loan forgiveness revenue during fiscal year-end 2020. Subsequent to year-end, the Organization received notice that the $1,299,600 and related interest had been forgiven.

As of June 30, 2021, the Organization incurred $185,750 of qualified expenses, and recorded $185,750 as PPP loan forgiveness during fiscal year-end 2021 in accordance with the government grant model, for the second PPP loan. Subsequent to year-end, the Organization fully utilized the remaining funds from the second PPP loan and applied for forgiveness for the full $1,079,325. As of the date of this report, the formal forgiveness had not been received, but the Organization expects no issue with the forgiveness.

**Note 17: EMPLOYEE RETENTION CREDIT**

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. The Organization qualified for the tax credit under the CARES Act for the year ended June 30, 2021. During the fiscal year ended June 30, 2021, the Organization filed amended payroll tax returns for the first two quarters of 2021 and recorded $1,401,049 related to the CARES Employee Retention credit in other income on the consolidated statements of operations and a corresponding receivable.

**Note 18: CONTINGENCIES AND UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As of June 30, 2021, the pandemic did not have a material effect on the Organization's net income; however, the pandemic has continued beyond year-end. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii)

**Note 18: CONTINGENCIES AND UNCERTAINTIES (Continued)**

government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

The Organization is not aware of any pending or actual litigation effecting the Organization. In the normal course of operations there is the potential that the Organization could become subject to litigation. The Organization believes that there is proper insurance coverage on place to mitigate the negative impacts of any litigation.

**Note 19: SUBSEQUENT EVENTS**

Management evaluated all events or transactions that occurred after June 30, 2021 through February 25, 2022, the date the Organization's financial statements were available to be issued. Management has determined that other than as discussed in notes 8, 16 and below, there are no other events that have occurred that require disclosure.

Subsequent to year end, the executive director was terminated.

# SUPPLEMENTARY INFORMATION

*Agency Head Name: Stephen Sauer, Executive Director*

| *For the Year Ended June 30,* | **2021** |
|---|---|
| *Purpose* | ***Amount*** |
| Salary | $ - |
| Benefits-health insurance | - |
| Benefits-retirement | - |
| Deferred compensation | - |
| Workers comp | - |
| Benefits-life insurance | - |
| Benefits-long term disability | - |
| Benefits-FICA & Medicare | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Cell phone | - |
| Dues | - |
| Vehicle rental | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Unvouchered expenses | - |
| Meetings & conventions | - |
| Other | - |
| **Total** | **$ -** |

*There were no payments for the benefit of the Executive Director that were derived from public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that the Organization receives.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
The Arc of 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 28, 2022.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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.

**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 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 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.

March 28, 2022

**SECTION I - SUMMARY OF AUDITORS' REPORTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of The Arc of Greater New Orleans (the Organization) (a nonprofit organization),

2. No instances of noncompliance material to the financial statements of the Organization were disclosed and identified during the audit.

3. No instances of noncompliance with laws, rules, and regulations that were disclosed and identified during the audit.

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS**

No findings noted.

**SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS**

No findings noted.

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS**

No findings noted.

**SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS**

No findings noted.