

CARC, INC.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Year Ended June 30, 2020

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

May 3, 2023

To the Board of Directors  
CARC, INC.

We have reviewed the accompanying financial statements of CARC, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 entity 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 misstatements, whether due to fraud or error.

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated in the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modification 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. 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of CARC, INC. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**Accountants' 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.

To the Board of Directors  
May 3, 2023  
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**Supplementary Information**

The supplementary information included in the schedule of support, revenues, and expenses – departmentalized and the schedule of functional expenses 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. We have not audited the supplementary information and do not express an opinion on such information.

CARC, INC.

Statement of Financial Position

June 30, 2020

With Comparative Totals as of June 30, 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,892,189	\$ 1,095,567
Investments	1,616,181	3,598,531
Accounts receivable		
Grants and contracts, net	-	8,107
Medicaid, net	507,538	813,436
Work Activity, net	1,035	32,172
Client Liability, net	24,637	29,252
Other	68,537	90,680
Accrued interest receivable	7,064	28,666
Note receivable-current portion	17,447	16,392
Merchandise inventory	36,971	57,364
Prepaid expenses-other	24,227	14,258
Total current assets	<u>5,195,826</u>	<u>5,784,425</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Land	638,881	638,881
Buildings	6,218,375	4,135,405
Leasehold improvements	196,385	196,385
Furniture, fixtures, and equipment	841,291	1,333,097
Transportation equipment	1,141,840	1,195,393
Construction in progress	-	1,253,537
	<u>9,036,772</u>	<u>8,752,698</u>
Less accumulated depreciation	<u>(3,825,189)</u>	<u>(4,127,222)</u>
	5,211,583	4,625,476
<b>OTHER ASSETS</b>		
Deposits	12,600	14,425
Note receivable-noncurrent portion	431,584	449,031
	<u>444,184</u>	<u>463,456</u>
	<u>\$ 10,851,593</u>	<u>\$ 10,873,357</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Financial Position - Continued

June 30, 2020

With Comparative Totals as of June 30, 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable - trade	\$ 201,664	\$ 187,680
Accrued salaries	195,035	212,505
Payroll taxes payable	17,940	18,745
Deferred revenue	-	541,503
Accrued expenses - other	88,094	136,119
Total current liabilities	<u>502,733</u>	<u>1,096,552</u>
<b>NET ASSETS</b>		
Unrestricted	10,348,860	9,740,885
Temporarily restricted	-	35,920
	<u>10,348,860</u>	<u>9,776,805</u>
	<u>\$ 10,851,593</u>	<u>\$ 10,873,357</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Activities

Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2020 Total</u>	<u>2019 Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Federal, state and local grants/contracts	\$ 89,083	\$ -	\$ 89,083	\$ 374,205
Medicaid	6,080,472	-	6,080,472	6,363,391
Contributions	496,621	-	496,621	685,358
Membership dues	2,015	-	2,015	1,285
Auxiliary activities	289,786	-	289,786	416,298
Other program fees	369,744	-	369,744	355,130
Fund raising	23,719	-	23,719	893
Investment income (loss)	115,095	-	115,095	183,077
Gain (loss) on disposal of assets	(52,336)	-	(52,336)	7,985
Rental	116,630	-	116,630	166,178
Other income	49,448	-	49,448	233,735
Paycheck Protection Program Forgiveness	1,231,300	-	1,231,300	-
Net assets released from restrictions	35,920	(35,920)	-	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>8,847,497</b>	<b>(35,920)</b>	<b>8,811,577</b>	<b>8,787,535</b>
<b>EXPENSES AND LOSSES</b>				
Program services	8,008,582	-	8,008,582	8,328,487
Supporting services				
Management and general	230,940	-	230,940	201,729
<b>TOTAL EXPENSES AND LOSSES</b>	<b>8,239,522</b>	<b>-</b>	<b>8,239,522</b>	<b>8,530,216</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>607,975</b>	<b>(35,920)</b>	<b>572,055</b>	<b>257,319</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>9,740,885</b>	<b>35,920</b>	<b>9,776,805</b>	<b>9,519,486</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 10,348,860</b>	<b>\$ -</b>	<b>\$ 10,348,860</b>	<b>\$ 9,776,805</b>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Functional Expenses

Year Ended June 30, 2020

With Comparative Totals for the year ended June 30, 2019

	Program Services			
	Work Activity	Adult Habilitation	Residential Services	Supervised Living
Salaries and wages	\$ 423,616	\$ 583,985	\$ 929,864	\$ -
Payroll taxes	31,982	42,709	70,418	-
Total salaries and related expenses	455,598	626,694	1,000,282	-
Advertising	1,393	384	-	-
Bad debts	-	-	-	-
Central office overhead	30,404	35,395	67,194	18
Consultants	-	-	50,103	-
Contract services	15,528	1,561	7,331	-
Dues and subscriptions	-	1,239	5,024	522
Employee benefits	13,991	32,656	23,196	-
Habilitative services	-	-	162,840	-
Insurance	75,722	83,954	87,316	-
Licenses	-	-	3,900	-
Medicaid provider fees	-	-	201,940	-
Medical	-	-	6,358	-
Miscellaneous	10,230	3,992	25,020	-
Office expense	-	92	-	-
Paycheck Protection Program Forgiveness	152,309	177,310	336,607	89
Professional services	-	-	-	-
Recreation expense	-	1,704	1,821	-
Rent	135,557	-	-	-
Repairs and maintenance	40,535	26,028	53,603	-
Seminars	-	350	-	-
Supplies	15,191	20,631	174,173	-
Telephone	3,312	9,326	5,813	-
Transportation	20,468	54,384	15,638	-
Travel	-	6,347	-	-
Utilities	13,453	15,462	33,259	-
Total expenses before depreciation expense	983,691	1,097,509	2,261,418	629
Depreciation expense	27,979	81,353	43,988	-
	<u>\$1,011,670</u>	<u>\$1,178,862</u>	<u>\$2,305,406</u>	<u>\$ 629</u>

See independent accountants' review report and notes to financial statements.



CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2020

With Comparative Totals for the year ended June 30, 2019

	Program Services			
	Respite	Eliminations	2020 Total	2019 Total
Salaries and wages	\$2,570,897	\$ -	\$4,508,362	\$4,359,746
Payroll taxes	196,031	-	341,140	342,775
Total salaries and related expenses	2,766,928	-	4,849,502	4,702,521
Advertising	329	-	2,106	2,455
Bad debts	-	-	-	7,831
Central office overhead	106,162	-	239,173	1,865,549
Consultants	-	-	50,103	61,346
Contract services	42,020	-	66,440	54,998
Dues and subscriptions	3,205	-	9,990	11,811
Employee benefits	46,272	-	116,115	85,406
Habilitative services	-	(162,840)	-	-
Insurance	88,958	-	335,950	346,686
Licenses	-	-	3,900	4,750
Medicaid provider fees	-	-	201,940	207,756
Medical	-	-	6,358	15,555
Miscellaneous	7,609	-	46,851	61,949
Office expense	-	-	92	1,555
Paycheck Protection Program Forgiveness	531,816	-	1,198,131	-
Professional services	-	-	-	263
Recreation expense	-	-	3,525	750
Rent	27,500	-	163,057	120,514
Repairs and maintenance	8,542	-	128,708	135,691
Seminars	293	-	643	1,407
Supplies	7,026	-	217,021	214,937
Telephone	8,224	-	26,675	22,723
Transportation	12,520	-	103,010	137,862
Travel	13,524	-	19,871	26,014
Utilities	3,927	-	66,101	81,675
Total expenses before depreciation expense	3,674,855	(162,840)	7,855,262	8,172,004
Depreciation expense	-	-	153,320	156,483
	<u>\$3,674,855</u>	<u>\$ (162,840)</u>	<u>\$8,008,582</u>	<u>\$8,328,487</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2020

With Comparative Totals for the year ended June 30, 2019

	Supporting Services	
	Management and General	2019 Total
Salaries and wages	\$ 16,591	\$ 18,424
Payroll taxes	1,269	1,409
Total salaries and related expenses	17,860	19,833
Advertising	-	-
Bad debts	-	-
Central office overhead	6,621	26,271
Consultants	4,336	200
Contract services	-	-
Donation	-	-
Dues and subscriptions	-	325
Employee benefits	-	-
Fundraising	5,660	310
Habilitative services	-	-
Insurance	34,624	26,518
Licenses	-	100
Medicaid provider fees	-	-
Medical	-	-
Miscellaneous	14,491	10,108
Office expense	-	-
Paycheck Protection Program Forgiveness	33,169	-
Professional services	-	-
Purchases-resale items	-	-
Recreation expense	1,497	977
Rent	1,293	1,180
Repairs and maintenance	23,643	18,186
Seminars	-	-
Supplies	2,804	3,901
Telephone	-	-
Transportation	1,666	430
Travel	-	-
Utilities	23,816	25,200
Total expenses before depreciation expense	171,480	133,539
Depreciation expense	59,460	68,190
	<u>\$ 230,940</u>	<u>\$ 201,729</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Statement of Cash Flows

Year Ended June 30, 2020

With Comparative Totals as of June 30, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 572,055	\$ 257,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	271,744	274,390
(Gain) loss on sale of fixed assets	52,336	(7,985)
(Gain) loss on sale of investments	3,351	(4,680)
Unrealized gain of investments	(78,023)	(61,854)
(Increase) decrease in:		
Accounts receivable	371,900	131,527
Accrued interest receivable	21,602	(21,107)
Inventory	20,393	19,672
Deposits and prepaids	(8,144)	45,001
Increase (decrease) in:		
Accounts payable - trade	13,984	38,158
Accrued salaries	(17,470)	(6,899)
Payroll taxes payable	(805)	1,646
Deferred revenue	(541,503)	
Accrued expenses-other	(48,025)	22,339
NET CASH FROM OPERATING ACTIVITIES	<u>633,395</u>	<u>687,527</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of investments	3,312,017	451,119
Purchase of investments	(1,256,984)	(2,302,833)
Proceeds from receipt of principal	16,392	15,402
Proceeds from sale of fixed assets	22,300	8,070
Purchases of fixed assets and construction in progress	(930,498)	(1,462,947)
NET CASH FROM INVESTING ACTIVITIES	<u>1,163,227</u>	<u>(3,291,189)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,796,622	(2,603,662)
CASH AND CASH EQUIVALENTS JUNE 30, 2019	<u>1,095,567</u>	<u>3,699,229</u>
CASH AND CASH EQUIVALENTS JUNE 30, 2020	<u>\$2,892,189</u>	<u>\$1,095,567</u>
SUPPLEMENTAL DATA FOR NON CASH INVESTING ACTIVITIES:		
Paycheck Protection Program Forgiveness Payment received	<u>\$1,231,300</u>	<u>\$ -</u>

See independent accountants' review report and notes to financial statements.

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Nature of Activities

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

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

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

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

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

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

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

Basis of Accounting

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

Basis of Presentation

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

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

Investments consist of Mutual Funds investing in debt and equity securities and stocks and Certificate of Deposits with a cost of \$1,538,159 which do not meet the Association's definition of cash equivalents. The investments are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. All highly liquid debt instruments with an original maturity of three months or less from date of purchase are considered cash equivalents. Amortization of premiums and discounts are recognized as income using the level yield method. Accumulated unrealized appreciation (depreciation) in assets classified as investments at June 30, 2020 was \$78,055.

The Organization has reported their investments, with a remaining maturity at time of purchase of one year or less, at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at June 30, 2020. Fair value was determined by obtaining "quoted" year-end market prices.

Property, Plant, and Equipment

The Association follows the practice of recording assets at cost or estimated fair value of donated assets at date of donation. All assets with estimated useful lives in excess of one year and \$5,000 are capitalized. Depreciation is provided on the straight-line method at rates calculated to allocate the recorded amounts over the estimated useful lives of the assets, ranging from 2 to 50 years. Depreciation and amortization amounted to \$271,744, of which \$58,964 is included in central office overhead expense in the accompanying statement of functional expenses.

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

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

Eliminations

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

Income Taxes

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

Donated Services

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

Designated Net Assets

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

Inventory

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

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$47,925.

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue and Support

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

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

Restricted Net Assets

Restricted net assets at June 30, 2019 were \$35,920, which includes the principal amount of a donations received which the donor placed certain stipulations on the use of these funds. The funds were expended during the year ended June 30, 2020.

Promises to Give

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

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

Prior year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through May 3, 2023, the date the financial statements were available to be issued.

The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. CARC, INC. was severely impacted by the effects of covid-19. Most of the business had to be restructured due to new guidelines and illnesses with clients and staff. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

On August 27, 2020, Hurricane Laura made landfall in Southwest Louisiana. On October 9, 2020, Hurricane Delta made landfall in Southwest Louisiana. As a result, there were significant damages across the region. During Hurricanes Laura and Delta, all of CARC's 46 properties/buildings were extensively damaged and needed major repairs. CARC, INC. has been struggling to get the needed insurance proceeds from claims filed to repair the damage from the hurricanes. The financial impact of these events on the Entity has yet to be determined.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2020, cash and cash equivalents consisted of the following:

Operating accounts, net of outstanding items	\$ 1,487,552
Money market accounts	<u>1,404,637</u>
	<u>\$ 2,892,189</u>

At June 30, 2020, the carrying amount of the accounts was \$2,892,189 and the bank balance was \$2,891,399 of which \$524,118 is secured from risk by federal depository insurance, and the balance is unsecured. In addition, a significant risk of loss existed at June 30, 2020 with regard to the monies invested in money market accounts and investments because those funds are not insured against market risk.

NOTE C - ACCOUNTS RECEIVABLE

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

NOTE D - MEDICAID PROVIDER FEE

The Association's residential services program is required, under Louisiana R.S. 46:2601-2605, to pay to the Department of Health and Hospitals a fee per patient day for each bed which is in use or reserved for a patient. The total of such fees for the year ended June 30, 2020 is \$201,940.



CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE E - LONG TERM NOTE RECEIVABLE

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

\$ 449,031

Less current maturities

17,447

Long-term note receivable, net of current portion

\$ 431,584

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

NOTE F - RETIREMENT PLAN

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

Each participant may elect to have Compensation deferred by up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415. The maximum annual amount that an employee could contribute as an elective deferral for calendar year 2020 was \$19,500 per year. For the year ended June 30, 2020, salary deferrals by eligible participants totaled \$73,066. The employer may make a matching contribution to each participant based on the participant's elective deferrals in a percentage set by the employer prior to the end of each plan year. For the year ended June 30, 2020, the Board of Directors adopted an employer contribution of 50% of the first 6% that an employee contributes. Additional amounts may be contributed at the option of the Board of Directors. For the year ended June 30, 2020, the employer match totaled \$28,519.

NOTE G – RISK MANAGEMENT

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

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE H - RELATED PARTY TRANSACTIONS

Included in accounts receivable-other at June 30, 2020 and June 30, 2019 are operating advances to Louisiana Disabled Persons Finance Corporation (LDPFC) of \$14,417 and \$8,959, respectively, to Louie Street Apartments, Inc. of \$13,950 and \$6,612, respectively, and to Stroud Manor, Inc. of \$6,088 and \$4,951, respectively, affiliated non-profit organizations under common board of directors. In addition, LDPFC paid \$7,200 and \$7,200, Louie Street Apartments, Inc. paid \$6,356 and \$6,636, and Stroud Manor, Inc. paid \$3,290 and \$3,212 in management fees to CARC, INC. for the years ended June 30, 2020 and June 30, 2019, respectively. CARC also charged, for the years ended June 30, 2020 and June 30, 2019, respectively, to LDPFC \$6,594 and \$6,974, Louie Street Apartments, Inc. \$7,659 and \$8,092, and Stroud Manor, Inc. \$4,180 and \$4,325, for services provided to these entities such as lawn care, other maintenance, janitorial, and vehicle usage. Also, see Note D for a loan between LADPFC and CARC, INC. Summarized financial data of LDPFC, Louie Street Apartments, Inc., and Stroud Manor, Inc., as of and for the years ended:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
<u>Louisiana Disabled Person Finance Corporation</u>		
Total Assets	\$ 86,957	\$ 95,301
Total Liabilities	<u>469,009</u>	<u>479,645</u>
Net Assets (deficit)	<u>\$ (382,052)</u>	<u>\$ (384,344)</u>
Total Revenue	\$ 143,064	\$ 141,510
Total Expenses	<u>140,772</u>	<u>133,136</u>
Change in Net Assets	<u>\$ 2,292</u>	<u>\$ 8,374</u>
 <u>Louie Street Apartments, Inc.</u>		
Total Assets	\$ 1,589,669	\$ 1,584,161
Total Liabilities	<u>1,383,664</u>	<u>1,376,345</u>
Net Assets (deficit)	<u>\$ 206,005</u>	<u>\$ 207,816</u>
Total Revenue	\$ 149,561	\$ 156,081
Total Expenses	<u>151,372</u>	<u>154,273</u>
Change in Net Assets	<u>\$ (1,811)</u>	<u>\$ 1,808</u>
 <u>Stroud Manor, Inc.</u>		
Total Assets	\$ 1,143,393	\$ 1,151,623
Total Liabilities	<u>1,058,153</u>	<u>1,058,123</u>
Net Assets (deficit)	<u>\$ 85,240</u>	<u>\$ 94,557</u>
Total Revenue	\$ 73,170	\$ 70,016
Total Expenses	<u>82,487</u>	<u>80,709</u>
Change in Net Assets	<u>\$ (9,317)</u>	<u>\$ (10,693)</u>

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE I – INVESTMENTS

As of June 30, 2020, CARC, INC. had its assets in money market instruments, U.S. Treasury notes, U.S. agency securities, stocks and municipal bonds managed by financial institutions. The accounts managed by the financial institutions have a fair value of \$1,616,181 as of June 30, 2020. CARC, INC.'s investments are as follows:

Type of Debt Investment	Fair Value	Maturity			Credit Rating (Standards and Poor's)
		Less than 1 Year	1 to 5 Years	6 to 10 Years	
<b>Investments at fair value</b>					
Certificates of deposit	\$ 101,235	\$ 101,235	\$ -	\$ -	N/A
Subtotal	101,235	101,235	-	-	
<b>Investments measured at the net asset value (NAV)</b>					
U. S. Treasury notes	364,037	35,163	168,037	160,837	AAA
Government bonds	101,148	-	-	101,148	unrated
Corporate bonds	215,689	26,367	113,930	75,392	A1-BAA2
Equities	434,778	434,778	-	-	A1-BAA3
Mutual funds	399,294	399,294	-	-	unrated
Total investments measured at NAV	1,514,946	895,602	281,967	337,377	
Total Investments	\$ 1,616,181	\$ 996,837	\$ 281,967	\$ 337,377	

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

CARC, INC. has the following recurring fair value measurements as of June 30, 2020:

*Level 1 inputs* - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date have a value of \$2,428,422.

*Level 2 inputs* - U.S. Treasury securities, government agency securities, and municipal securities totaling \$566,420 are valued using market-based approach comprised of a combination of directly observable quoted prices and matrix pricing technique that relies on the securities' relationship to other benchmark quoted securities.

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

Concentration of Credit Risk: CARC, INC.'s investment portfolio had concentration of credit risk on June 30, 2020 due to the holdings of securities issued by the following U.S. agency securities and stocks. CARC, INC.'s investment portfolio consisted of 3% Certificates of deposit, 12% U.S. Treasury notes, 3% Government Bonds, 8% Corporate bonds, 15% Equities, and 59% Mutual funds. CARC, INC.'s policy does not address concentration risk.

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE I – INVESTMENTS - CONTINUED

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

NOTE J – OPERATING LEASES

The Association leases three retail store spaces for its Treasure Chest stores and one facility for additional administrative space until the new building is complete. The Lake Charles store has a base monthly rental amount of \$6,630. This lease expires March 2022. The Moss Bluff store has a base monthly rental amount of \$4,500. This lease expires November 2023 . The Sulphur store has a base monthly rental amount of \$850. This lease expired October 2019. The administrative office lease has a base rental amount of \$2,500. This lease expired October 2019. Lease expense amounted to \$135,557 for the year ended June 30, 2020. Minimum lease payments on long-term operating leases by year, and in aggregate, are as follows:

<u>Year ended</u>	
June 30, 2021	\$ 130,320
June 30, 2022	57,240

The Association is the lessor of multiple rental properties under operating leases. The lease agreements stipulate month-to-month leases for \$11,630 per month total. Following is a summary of the properties leased at June 30, 2020:

Homes	\$ 1,061,355
Less: accumulated depreciation	<u>(333,533)</u>
	727,822
Land	<u>188,980</u>
	<u>\$ 916,802</u>

NOTE K – LIQUIDITY

At June 30, 2020, the Association has \$5,110,117 available to meet needs for general expenditures consisting of cash of \$2,892,189, accounts receivable of \$601,747 and investments of \$1,616,181. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

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

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE L - CENTRAL OFFICE OVERHEAD

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

Salaries and wages	\$ 934,848
Payroll taxes	<u>70,271</u>
Total salary and related expenses	1,005,119
Advertising	45,819
Contract services	39,132
Dues and subscriptions	823
Employee benefits	98,711
Insurance	64,086
Licenses	1,040
Miscellaneous	4,296
Office expense	1,850
Professional services	25,000
Rent	6,636
Repairs and maintenance	40,637
Seminars	1,362
Supplies	40,951
Telephone	9,463
Transportation	14,177
Travel	1,591
Utilities	<u>17,494</u>
Total expenses before depreciation expense	1,418,187
Depreciation expense	<u>58,964</u>
Total central office overhead	<u>\$ 1,477,151</u>

NOTE M – CONCENTRATION OF RISK

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

CARC, INC.

Notes to Financial Statements

June 30, 2020

NOTE N – SELF-INSURANCE

All CARC, INC. employees have an option to participate in the Association's self-funded, comprehensive medical care benefits program. The cost of medical care paid out of employee and employer contributions and is held in a separate bank account. The Association has contracted with a third-party administrator to provide administrative services for this health care benefits program. As of June 30, 2020, cash of \$31,672 was in the account.

CARC, INC. employees are covered by a self-insured state unemployment benefits program through Unemployment Services Trust (UST). The cost paid by CARC, INC. for the fiscal year ended June 30, 2020 was \$27,017. CARC, INC. has contracted with the third-party administrator to provide administrating services for the unemployment benefits program. As of June 30, 2020, cash of \$92,775 was maintained by the third party.

SUPPLEMENTARY INFORMATION

CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized

Year Ended June 30, 2020

	Central Office	Work Activity	Adult Habilitation	Residential Services
Public support and revenue				
Federal, state and local grants/contracts	\$ -	\$ -	\$ 75,524	\$ -
Medicaid	-	-	623,744	1,920,635
Contributions	52,522	443,199	900	-
Total public support	<u>52,522</u>	<u>443,199</u>	<u>700,168</u>	<u>1,920,635</u>
Revenue				
Membership dues	2,015	-	-	-
Other program fees	16,845	-	162,840	352,899
Fund raiser income	23,719	-	-	-
Auxiliary activities	-	289,786	-	-
Investment income (loss)	115,095	-	-	-
Gain (loss) on disposal of assets	(56,836)	1,000	3,500	-
Rental	116,630	-	-	-
Other income	6,599	37,488	-	(5,767)
Paycheck Protection Program Forgiveness	33,169	152,309	177,310	336,607
Total revenue	<u>257,236</u>	<u>480,583</u>	<u>343,650</u>	<u>683,739</u>
Total public support and revenue	309,758	923,782	1,043,818	2,604,374
Expenses and losses				
Program services	-	1,011,670	1,178,862	2,305,406
Supporting services				
Management and general	230,940	-	-	-
Total expenses and losses	<u>230,940</u>	<u>1,011,670</u>	<u>1,178,862</u>	<u>2,305,406</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ 78,818</u>	<u>\$ (87,888)</u>	<u>\$ (135,044)</u>	<u>\$ 298,968</u>

See independent accountants' review report.



CARC, INC.

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

Year Ended June 30, 2020

	Supervised Independent Living	Respite	Eliminations	Total
Public support and revenue				
Federal, state and local grants/contracts	\$ -	\$ 13,559	\$ -	\$ 89,083
Medicaid	660	3,535,433	-	6,080,472
Contributions	-	-	-	496,621
Total public support	<u>660</u>	<u>3,548,992</u>	<u>-</u>	<u>6,666,176</u>
Revenue				
Membership dues	-	-	-	2,015
Other program fees	-	-	(162,840)	369,744
Fund raiser income	-	-	-	23,719
Auxiliary activities	-	-	-	289,786
Investment income (loss)	-	-	-	115,095
Gain (loss) on disposal of assets	-	-	-	(52,336)
Rental	-	-	-	116,630
Other income	-	11,128	-	49,448
Paycheck Protection Program Forgiveness	89	531,816	-	1,231,300
Total revenue	<u>89</u>	<u>542,944</u>	<u>(162,840)</u>	<u>2,145,401</u>
Total public support and revenue	749	4,091,936	(162,840)	8,811,577
Expenses and losses				
Program services	629	3,674,855	(162,840)	8,008,582
Supporting services				
Management and general	-	-	-	230,940
Total expenses and losses	<u>629</u>	<u>3,674,855</u>	<u>(162,840)</u>	<u>8,239,522</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ 120</u>	<u>\$ 417,081</u>	<u>\$ -</u>	<u>\$ 572,055</u>

See independent accountants' review report.

CARC, INC.

Schedule of Functional Expenses

Year Ended June 30, 2020

Salaries and wages	\$ 5,459,801
Payroll taxes	412,680
Total salaries and related expenses	<u>5,872,481</u>
Advertising	47,925
Bad debts	-
Consultants	54,439
Contract services	105,572
Dues and subscriptions	10,813
Employee benefits	214,826
Fundraising	5,660
Insurance	434,660
Licenses	4,940
Medicaid provider fees	201,940
Medical	6,358
Miscellaneous	65,581
Office expense	1,942
Professional services	25,000
Purchases-resale items	-
Recreation expense	5,022
Rent	170,986
Repairs and maintenance	192,988
Seminars	2,005
Supplies	260,776
Telephone	36,138
Transportation	118,853
Travel	21,462
Utilities	<u>107,411</u>
Total expenses before depreciation expense	7,967,778
Depreciation expense	<u>271,744</u>
	<u><u>\$ 8,239,522</u></u>

See independent accountants' review report.

CARC, INC.

Schedule of Findings and Responses

Year Ended June 30, 2020

**Finding 2020-001: Late Submission of Financial Statements**

The 2020 financial statements were not filed with the Legislative Auditor within the due date of December 31, 2020, in violation of R.S. 24:514.

Management response: The late filing is an isolated occurrence due to the continued physical obstacles from the 2020 Hurricane Laura. Compliance will be adhered to in the future.