

THE ARC OF ST. CHARLES, INC.  
(A NON- PROFIT ORGANIZATION)

AUDITED FINANCIAL REPORT

Years Ended June 30, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
The ARC of St. Charles, Inc.  
Boutte, Louisiana**

We have audited the accompanying financial statements of The ARC of St. Charles, Inc. (a non-profit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

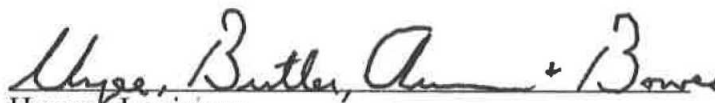
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Charles, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of compensation, benefits, and other payments to Agency Head or Chief Executive Officer as listed in the table of contents is presented for the purpose 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 taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020 on our consideration of The ARC of St. Charles, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The ARC of St. Charles, Inc.'s internal control over financial reporting and compliance.

  
Harvey, Louisiana  
December 16, 2020

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019

<b>ASSETS</b>	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,184,516	\$ 623,411
Investments	336,158	225,846
Accounts Receivable	239,565	222,699
Deposits	9,515	5,765
Inventory	206,067	211,611
Prepaid Expenses	<u>27,975</u>	<u>4,411</u>
Total Current Assets	<u>2,003,796</u>	<u>1,293,743</u>
Property and Equipment		
Buildings	724,291	643,697
Furniture and Equipment	305,613	279,420
Vehicles	<u>377,575</u>	<u>401,408</u>
	1,407,479	1,324,525
Less: Accumulated Depreciation	<u>(709,719)</u>	<u>(617,578)</u>
Net Property and Equipment	<u>697,760</u>	<u>706,947</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,701,556</u>	<u>\$ 2,000,690</u>

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

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION - CONTINUED  
JUNE 30, 2020 AND 2019

**LIABILITIES AND NET ASSETS**

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts Payable	\$ 12,406	\$ 38,936
Comp Absences – Current Portion	17,491	12,949
Notes Payable – Current Portion	293,904	87,109
Accrued Payroll	<u>94,543</u>	<u>102,616</u>
Total Current Liabilities	<u>418,344</u>	<u>241,610</u>
Long-Term Liabilities		
Comp Absences – Non Current Portion	69,962	51,795
Notes Payable – Non Current Portion	<u>482,875</u>	<u>242,081</u>
Total Long-Term Liabilities	<u>552,837</u>	<u>293,876</u>
Net Assets		
Without Donor Restrictions	<u>1,730,375</u>	<u>1,465,204</u>
Total Net Assets	<u>1,730,375</u>	<u>1,465,204</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>2,701,556</u></b>	<b>\$ <u>2,000,690</u></b>

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

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2020 AND 2019

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

**REVENUES, GAINS, AND  
OTHER SUPPORT**

	<u>2020</u>	<u>2019</u>
Ad Valorem Tax	\$ 1,015,000	\$ 930,301
Dept. of Health and Hospital Services - Office of Citizens with Developmental Disabilities	32,762	21,807
Dept. of Health and Hospital Services - Medicaid	1,898,052	1,875,469
Row Day Habilitation - Medicaid	77,905	56,489
Res-Care, Inc.	21,366	45,085
United Way	149,000	144,500
Supported Employment/Job Revenue	361,288	352,811
Respite/Sitter Services	26,413	32,499
Transportation Charges	568	775
Contributions	31,998	170,369
Interest Income	10,312	341
Fund Raising	1,186	1,606
ARC Festival	1,490	15,722
Grants	23,298	35,000
Other Income	66,131	96,268
L/T Personal Care Services	<u>200,042</u>	<u>150,426</u>

TOTAL REVENUES, GAINS, AND  
OTHER SUPPORT

3,916,811      3,929,468

**EXPENSES**

Program Services	3,049,913	3,123,810
Administrative Services	<u>601,727</u>	<u>577,190</u>

TOTAL EXPENSES

3,651,640      3,701,000

INCREASE (DECREASE) IN NET ASSETS  
WITHOUT DONOR RESTRICTIONS

265,171      228,468

Net Assets Without Donor Restrictions,  
Beginning of Year

1,465,204      1,236,736

Net Assets Without Donor Restrictions,  
End of Year

\$ 1,730,375      \$ 1,465,204

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

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020			June 30, 2019		
	PROGRAM SERVICES	ADMINISTRATIVE SERVICES	TOTAL	PROGRAM SERVICES	ADMINISTRATIVE SERVICES	TOTAL
Payroll - Staff	\$2,109,251	\$299,920	\$2,409,171	\$2,130,370	\$284,668	\$2,415,038
Payroll - Clients	91,157	-0-	91,157	118,326	-0-	118,326
Payroll Taxes	173,782	22,887	196,669	179,265	21,676	200,941
Bonus and Awards	17,008	14,838	31,846	8,825	10,032	18,857
Insurance - Health	138,723	35,780	174,503	127,503	34,089	161,592
Professional Fees	23,919	39,062	62,981	29,416	37,113	66,529
Dues	21,897	-0-	21,897	24,617	-0-	24,617
Equipment	5,078	-0-	5,078	9,739	-0-	9,739
Donations	8,479	-0-	8,479	7,970	-0-	7,970
Licenses	2,719	-0-	2,719	2,380	-0-	2,380
Maintenance and Repairs	42,283	8,198	50,481	46,249	45,861	92,110
Office Supplies	946	21,361	22,307	1,167	20,143	21,310
Supplies	40,023	178	40,201	36,348	-0-	36,348
Telephone	6,625	24,489	31,114	11,315	21,165	32,480
Travel and Seminars	17,298	7,996	25,294	20,731	5,411	26,142
Fuel	30,266	-0-	30,266	39,508	-0-	39,508
Property and Liability Insurance	93,236	6,495	99,731	98,262	6,901	105,163
Insurance - Workers' Compensation	53,610	3,834	57,444	75,233	5,557	80,790
Bank Charges	2,144	-0-	2,144	2,289	-0-	2,289
Meetings and Events	13,738	-0-	13,738	11,981	-0-	11,981
Fines and Penalties	81	-0-	81	37	-0-	37
Depreciation	99,935	16,039	115,974	86,044	15,138	101,182
Employee Expense	7,505	209	7,714	7,114	-0-	7,114
Fund Raising	691	5,466	6,157	790	13,916	14,706
Utilities	12,403	1,884	14,287	10,506	4,369	14,875
Interest	-0-	17,601	17,601	-0-	18,477	18,477
Advertising	3,172	2,233	5,405	4,421	2,683	7,104
Bad Debts	-0-	46,251	46,251	-0-	10	10
Miscellaneous	-0-	-0-	-0-	-0-	67	67
Auto	4,562	-0-	4,562	4,809	-0-	4,809
Rent	18,750	24,978	43,728	15,097	27,800	42,897
Contractual Service	10,632	-0-	10,632	13,498	-0-	13,498
Retirement	-0-	2,028	2,028	-0-	2,114	2,114
<b>Total</b>	<b>\$3,049,913</b>	<b>\$601,727</b>	<b>\$3,651,640</b>	<b>\$3,123,810</b>	<b>\$577,190</b>	<b>\$3,701,000</b>

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



THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2020</u>	<u>2019</u>
Increase (Decrease) in Net Assets	\$ 265,171	\$ 228,468
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	115,974	101,182
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(16,866)	116,401
Inventory	5,544	(44,367)
Deposits	(3,750)	-0-
Prepaid Expenses	(23,564)	4,337
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(26,530)	(17,430)
Comp Absences Payable	22,709	6,026
Accrued Payroll	<u>(8,073)</u>	<u>7,617</u>
Net Cash Provided (Used) by Operating Activities	<u>330,615</u>	<u>402,234</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Edward Jones	(100,000)	(50,000)
Purchases of Property and Equipment	(106,787)	(150,058)
Interest on Investments	<u>(10,312)</u>	<u>(341)</u>
Net Cash Provided (Used) by Investing Activities	<u>(217,099)</u>	<u>(200,399)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Notes payable	<u>447,589</u>	<u>(58,918)</u>
Net Cash Provided (Used) by Financing Activities	<u>447,589</u>	<u>(58,918)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	561,105	142,917
Cash and Cash Equivalents, Beginning of Year	<u>623,411</u>	<u>480,494</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,184,516</u>	<u>\$ 623,411</u>

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

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2020 AND 2019

1. SIGNIFICANT ACCOUNTING POLICIES

- A. The ARC of St. Charles, a non-profit organization, is committed to providing services and supports that enable people of all ages with developmental and intellectual disabilities and special needs to attain their full potential. The financial statements of The ARC of St. Charles, Inc. have been prepared on the accrual basis; therefore, certain revenues and the related assets are recognized when earned rather than when received, and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.
- B. Business Activity  
The ARC of St. Charles, Inc. trains the intellectually and developmentally disabled citizens of the parish that are over 17 years of age. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, personal hygiene, daily living skills (making change, telling time, safety), recognition of danger signs, physical training, and maximization of individual potential. The Organization also provides transportation for all activities including daily instruction classes. Funding for the Organization is primarily derived from the dedicated millage provided by St. Charles Parish taxpayers, and from third party reimbursement arrangements. These revenues and the allowability of the related expenditures are subject to audits by the granting agencies. In addition, the Organization also receives funding from appropriations from State agencies, and contributions from the public. Additional revenue is also generated from services performed by clients.
- C. FASB Update to Topic 958 (ASU 2016-14)  
The Organization implemented the requirements of Financial Accounting Standards Board Update to Topic 958 (ASU 2016-14), "*Presentation of Financial Statements of Not-for-Profit Entities.*" The provisions of this update require not-for-profit entities to change financial statement presentation and disclosures in regards to unrestricted net assets, donor restrictions, and many other important areas. Due to the implementation for the required provisions above, the Organization reclassified unrestricted net assets at July 1, 2019 of \$1,236,736 to net assets without donor restrictions.
- D. Cash and Cash Equivalents  
The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.
- E. Liquidity and Availability  
The Organization has \$1,184,516 of cash in bank available within one year of the date of the statement of financial position to meet cash needs for general expenditures. Cash in bank is not subject to donor or other contractual restrictions that make it unavailable for general expenditures within one year of the date of the statement of financial position.

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2020 AND 2019

E. Liquidity and Availability - continued

All of The ARC of St. Charles, Inc.'s financial assets are available for general expenditure, with the exception of revenue received from its St. Charles Parish millage. The ARC of St. Charles, Inc. has no financial assets with donor restrictions. However, by way of the cooperative endeavor agreement between The ARC of St. Charles, Inc. and the St. Charles Parish Council, all revenue generated from this millage is required to be spent in activities pertaining to St. Charles Parish only. As a part of its liquidity management, The ARC of St. Charles, Inc. has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The ARC of St. Charles, Inc. invests cash in excess of daily requirements in short-term investments.

F. Restricted Deposits

The Organization does not have any deposits that are restricted in use and that are not available for operating purposes at June 30, 2020 and 2019.

G. Accounts Receivable

The Organization, in regards to uncollectible accounts, utilizes the direct write off method. Therefore, no allowance for doubtful accounts is utilized. Management believes this to be the most effective method for purposes of recording uncollectible accounts. The bad debts written off for the years ended June 30, 2020 and 2019 were \$46,251 and \$10, respectively.

H. Inventory and Thrift Shop Donations

The Thrift Shop, which is owned and operated by the Organization, receives donated household items on a daily basis. These donations can be used, repaired, or cleaned for resale. However, some items received are of poor condition and are later discarded. It is, therefore, not practicable to determine the fair value of the donated items at the time of receipt. Accounting principles generally accepted in the United States of America require that donated property be recorded at its fair value at the time of receipt. The items retained for resale are, however, recorded at their fair value on an annual basis at the time the fiscal year end inventory is recorded. Thrift shop values are used to estimate the fair value of the items retained for inventory. This value is then utilized in the inventory adjustment and is, therefore, included in the overall determination of the Statement of Financial Position and the Statement of Activities.

I. Ad Valorem Tax/Millage

Annually, The ARC of St. Charles, Inc. receives a millage from St. Charles Parish (.70 mills for a term of 10 years) for funding purposes. The approximate amount of revenue from this millage is estimated to be \$1,015,000 for the upcoming year. The proceeds are required to be used exclusively in St. Charles Parish as a result of a cooperative endeavor agreement signed between The ARC of St. Charles, Inc. and the St. Charles Parish Council. Under the agreement, The ARC of St. Charles, Inc. will jointly engage in activities to achieve the goal of promoting the well-being of persons with special needs and developmental and intellectual disabilities.

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2020 AND 2019

J. Contributions

Donor-restricted support whose restrictions are met in the same reporting period as the support recognized is reported as net assets without donor restrictions.

K. Donations of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as structured by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful life. Acquisitions of property and equipment in excess of \$400 and having a useful life of over one year are capitalized.

L. Financial Statement Presentation

The financial statements have been prepared in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations" and Financial Accounting Standards Board Update to Topic 958 (ASU 2016-14), "Presentation of Financial Statements for Not-for-Profit Entities." Under SFAS No. 117 and Update to Topic 958 (ASU 2016-14), the Organization 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. In addition, the Organization is required to present a statement of cash flows.

M. 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 reported period. Actual results could differ from those statements.

2. LEASES

The Organization leases its operating facilities from the St. Charles Parish School Board under a monthly operating lease at a charge of \$2,076 per month effective July 1, 2016 for a term of 60 months ending June 30, 2021. The Organization pays all insurance, maintenance, and improvements. The lessor may cancel the lease if the facilities are needed for school purposes. The Organization leased facilities for its Mardi Gras bead operations under a two year lease which began October 1, 2016 at a rate of \$975 per month. As of June 30, 2020, this lease is being paid on a month-to-month basis at a rate of \$1,000 per month.

THE ARC OF ST. CHARLES, INC.  
 (A NON-PROFIT ORGANIZATION)  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 YEARS ENDED JUNE 30, 2020 AND 2019

2. LEASES - continued

The Organization has no minimum lease payments payable on the Organization's leases for the next five years.

3. CONTRIBUTED SERVICES

A number of unpaid volunteers have made contributions of their time to the Organization during the year. The value of this contributed time is not reflected in these statements since it is not material and is not susceptible to objective measurement or valuation.

4. CONTRACT REVENUES

The Organization entered into a contract with the Department of Health and Hospitals to provide training to individuals with developmental and intellectual disabilities that are over 17 years of age in St. Charles Parish. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, and behavioral skills.

The Organization also entered into a contract with Res-Care, Inc. (a residential provider) to provide day training to other developmentally and intellectually disabled citizens. The type of training provided is explained in the preceding paragraph.

The Organization receives its largest operating revenue for providing training and daycare to Medicaid clients.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
First American – Operating	\$ 184,619	\$ 125,437
First National – Money Market	261	261
First National – Millage	999,302	497,374
GNO Federal Credit Union	84	89
Petty Cash	250	250
	<u>\$1,184,516</u>	<u>\$ 623,411</u>

6. INVESTMENTS AND FAIR VALUE MEASUREMENT

The Organization applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

THE ARC OF ST. CHARLES, INC.  
 (A NON-PROFIT ORGANIZATION)  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 YEARS ENDED JUNE 30, 2020 AND 2019

6. INVESTMENTS AND FAIR VALUE MEASUREMENT -continued

- Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The amortized cost and fair values measured on a recurring basis of investments as of June 30, 2020 are as follows:

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Level 2 Cost Basis			
FNB Certificate of Deposit	\$ 52,115	\$ 52,115	\$ -0-
Mutual of America	4,043	4,043	-0-
Edward Jones	<u>280,000</u>	<u>280,000</u>	<u>-0-</u>
	<u>\$ 336,158</u>	<u>\$ 336,158</u>	<u>\$ -0-</u>

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2020 AND 2019

7. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Dept. of Health and Hospitals	\$ 194,267	\$ 159,188
St. Charles Parish Finance Department	5,950	7,650
Res-Care, Inc.	724	8,194
United Way	925	715
St. Charles Parish Schools	100	2,925
EDS-LA Department of Revenue	-0-	703
OCDD	19,528	6,353
St. John Council on Aging	5,946	9,201
Louisiana Rehabilitation	2,250	3,250
Quality Support	-0-	5,000
Miscellaneous	9,875	19,520
	<u>\$ 239,565</u>	<u>\$ 222,699</u>

8. PROPERTY AND EQUIPMENT

Property and equipment, and depreciation activity for the year ended June 30, 2020 are as follows:

	<u>Balance</u> <u>7-1-19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-20</u>
Buildings	\$ 643,697	\$ 80,594	\$ -0-	\$ 724,291
Furniture & Equipment	279,420	26,193	-0-	305,613
Vehicles	401,408	-0-	23,833	377,575
	<u>1,324,525</u>	<u>106,787</u>	<u>23,833</u>	<u>1,407,479</u>
Less: Accumulated Depreciation	<u>(617,578)</u>	<u>(115,974)</u>	<u>(23,833)</u>	<u>(709,719)</u>
Net Property & Equipment	<u>\$ 706,947</u>	<u>\$ (9,187)</u>	<u>\$ -0-</u>	<u>\$ 697,760</u>

9. NOTES PAYABLE

Note payable consists of the following:

	<u>2020</u>	<u>2019</u>
First American LOC	\$ 63,571	\$ 63,571
GNO Fed Credit Union	199,214	206,765
GNO Fed Credit Union	17,872	27,685
GNO Fed Credit Union	8,204	11,984
Ally Bank	15,997	19,185
First American PPP	471,921	-0-
	<u>\$ 776,779</u>	<u>\$ 329,190</u>

The notes payable are shown on the financial statements as follows:

	<u>2020</u>	<u>2019</u>
Current Portion	\$ 293,904	\$ 87,109
Non Current Portion	482,875	242,081
	<u>\$ 776,779</u>	<u>\$ 329,190</u>

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2020 AND 2019

10. ECONOMIC DEPENDENCY

The Organization depends on the Department of Health and Hospitals and Ad Valorem Tax for a major portion of its support.

11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISKS

The ARC of St. Charles, Inc. extends a substantial amount of credit to several non-profit and state agencies such as the Department of Health and Hospitals and Res-Care, Inc.

12. INCOME TAXES

The Organization is a non-profit organization that 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. The Organization files a federal income tax return under U. S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U. S. federal tax examination by tax authorities for the tax years before 2016. In regards to tax uncertainties, the Organization has reviewed its tax positions, and determined there were no outstanding or retroactive tax positions as of June 30, 2020.

13. NET ASSETS WITH DONOR RESTRICTIONS

The Organization does not have any net assets with donor restrictions on the use of the assets at June 30, 2020 and 2019.

14. THREATENED AND PENDING LITIGATION

Due to the nature of the work performed and in the regular course of business, The ARC of St. Charles, Inc. is subject to ongoing potential litigation. As of the year ended June 30, 2020, there is presently no pending litigation which would have a material effect upon the financial statements.

15. 401K PROFIT SHARING PLAN

The Organization maintains a 401K Profit Sharing Plan to enable its employees to accumulate long term savings for retirement while benefiting from favorable tax treatment. The plan is administered by Mutual of America Life Insurance Company who receives the plan contributions, maintains participants' individual accounts, offers the investment options, and pays benefits to participants and their beneficiaries. Benefits are based on a stated contribution formula and are fully funded at all times. Therefore, the plan is classified as a defined contribution plan and is not covered for plan termination insurance provided by the Pension Benefit Guaranty Corporation.

Eligibility

All employees are eligible to participate in this plan, except those who are non-resident aliens with no U. S. source income and those who are classified or treated as independent contractors (even if a government agency or court within the jurisdiction determines that such persons are deemed to be employees for any purpose under common-law principles or federal, state, or local law).



THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2020 AND 2019

15. 401K PROFIT SHARING PLAN - continued

Certain employees commonly called leased employees and other individuals who are not employees of the employer, but who are commonly called leased employees because they are employed by a leasing organization, are not eligible to participate in this plan.

Employees covered under a collective bargaining agreement are not eligible to participate in this plan.

**Salary Reduction Contributions**

An employee must be at least 21 years of age to make salary reduction contributions, including Designated Roth Contributions, to this plan.

An employee must complete at least three months of service to make salary reduction contributions to this plan.

**Employer Matching Contributions**

An employee must be at least 21 years of age to receive employer matching contributions under this plan.

An employee must complete at least one year of service to receive employer matching contributions under this plan.

**Participation In The Plan**

An employee is included as a participant in the plan on the first day of the month coinciding with or immediately following the date the employee meets all of the above requirements.

For salary reduction contributions, the employee will not be required to complete any specified number of hours of service to receive credit for eligibility.

For employer matching contributions, the employee will be credited with a year of service for eligibility at the end of the employee's first twelve months of employment provided the employee completes at least 1,000 hours of service within the twelve month period. If the employee completes fewer than 1,000 hours during his/her first twelve months with the Organization, the employee will be credited with a year of service for eligibility at the end of the first twelve month period, beginning on the anniversary date of the employee's date of hire, in which the employee completes 1,000 hours of service.

If the employee has a break-in-service after becoming a participant in the plan and is later rehired, the employee will be eligible to resume participation in the plan immediately following the date the employee is rehired:

- (a) if the employee is at least partially vested in his/her benefit before terminated service, or
- (b) if, regardless of the employee's vesting status when he/she terminated service, the employee's break-in-service did not exceed five consecutive years.

THE ARC OF ST. CHARLES, INC.  
 (A NON-PROFIT ORGANIZATION)  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 YEARS ENDED JUNE 30, 2020 AND 2019

15. 401K PROFIT SHARING PLAN – continued

In any other case, the employee will be eligible to resume participation in the plan only upon completion of the applicable service requirement.

A break-in-service means a twelve consecutive month period during which the employee does not complete more than 500 hours of service with the Organization due to his/her termination, layoff, leave, or similar reason.

The matching contributions made for the years ended June 30, 2020 and 2019 were \$2,028 and \$2,114, respectively.

16. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The Organization maintains a money market account with Mutual of America Institutional Funds, Inc. The balance (which is not covered by FDIC insurance) totaled \$4,043 and \$3,991 as of June 30, 2020 and 2019, respectively. The account is insured by the SIPC (Securities Investor Protection Corporation) which is a non-profit organization formed by Congress in 1970 to assist in compensating securities losses up to \$100,000. It is not, however, the equivalent of FDIC insurance, as it only guarantees losses up to the amount of assets the fund possesses. The Organization also maintains an investment account with Edward Jones which is primarily invested in certificates of deposit and exchange traded funds. In addition, the Organization also maintains a business checking account at First National Bank USA which is covered by FDIC insurance up to \$250,000. As of June 30, 2020, the balance of the account per the bank was \$966,756, which exceeded the FDIC limitations. Concentrations of credit risk with respect to trade receivables are limited due to the number of customers comprising the Organization's customer base and their dispersion across different industries.

17. COMPENSATED ABSENCES

The employees of The ARC of St. Charles, Inc. are currently not reimbursed for unused vacation and sick leave, and must actually use leave time for it to be incurred. Employees may carry no more than eighty hours into a new calendar year. The balance of the accrued liability for compensated absences for June 30, 2020 and 2019 was \$87,453 and \$64,744, respectively.

Compensated absences are shown on the financial statements as follows:

	<u>2020</u>	<u>2019</u>
Current Portion	\$ 17,491	\$ 12,949
Non Current Portion	<u>69,962</u>	<u>51,795</u>
	<u>\$ 87,453</u>	<u>\$ 64,744</u>

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
YEARS ENDED JUNE 30, 2020 AND 2019

18. POST-EMPLOYMENT BENEFITS

At present, there are no former employees of The ARC of St. Charles, Inc. who are receiving post-employment benefits, and any liability due to the Organization's benefit structure is considered to be immaterial.

19. FUNCTIONAL BASIS PRESENTATION

Expenditures incurred in connection with administrative services and program services have been summarized on a functional basis in the statement of functional expenses according to Financial Accounting Standards Board Update to Topic 958 (ASU 2016-14), "*Presentation of Financial Statements of Not-for-Profit Entities.*"

20. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements to determine the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 16, 2020 which is the date the financial statements were available to be issued. No events occurring after this date have been evaluated for inclusion in these financial statements.

A strain of coronavirus was reported in Louisiana in March 2020, and continues to spread throughout the United States. The COVID-19 outbreak has disrupted business. While the disruption is currently expected to be temporary, there is considerable uncertainty concerning the duration. The related financial impact and duration cannot be reasonably estimated at this time.

OTHER SUPPLEMENTAL INFORMATION

THE ARC OF ST. CHARLES, INC.  
 (A NON-PROFIT ORGANIZATION)  
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
 TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
 FOR THE YEAR ENDED JUNE 30, 2020

**Agency Head Name:** Victoria Bryant

<b>Purpose:</b>	<u><b>Amount</b></u>
Salary	\$ 94,539
Benefits -- insurance	15,369
Benefits -- retirement	1,950
Benefits -- other	-0-
Car Allowance	-0-
Vehicle provided by Organization	-0-
Per diem	-0-
Reimbursements	-0-
Travel	417
Registration fees	5,892
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Cell phone	436
Unvouchered expenses	-0-
Meals	-0-
	<u>\$ 118,603</u>

**UZEE, BUTLER, ARCENEUX & BOWES**

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SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
The ARC of St. Charles, Inc.  
Boutte, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The ARC of St. Charles, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The ARC of St. Charles, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The ARC of St. Charles, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The ARC of St. Charles, Inc.'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 that is more than inconsequential will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Response to Findings**

The ARC of St. Charles, Inc.'s response to the findings identified in our audit is described in the accompanying schedules of current and prior year audit findings and responses. The ARC of St. Charles, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

This report is intended solely for the information and use of Management, the Board of Directors, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 25.513, this report is distributed by the Legislative Auditor as a public document.

  
Harvey, Louisiana  
December 16, 2020

THE ARC OF ST. CHARLES, INC.  
(A NON-PROFIT ORGANIZATION)  
SCHEDULES OF FINDINGS  
YEARS ENDED JUNE 30, 2020 and 2019

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expressed an unmodified opinion on the basic financial statements of The ARC of St. Charles, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported as of June 30, 2020 and 2019.
3. No instances of noncompliance material to the financial statements of The ARC of St. Charles, Inc. as of June 30, 2020 and 2019 were disclosed in Part B of this schedule.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**NONE**



THE ARC OF ST. CHARLES, INC.  
 (A NON-PROFIT ORGANIZATION)  
 SCHEDULES OF CURRENT AND PRIOR YEAR AUDIT FINDINGS  
 AND RESPONSES  
 YEARS ENDED JUNE 30, 2020 AND 2019

<u>Ref No.</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Responses</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
CURRENT YEAR (6/30/20)						
<u>Internal Control:</u>						
20-01	Unknown	None	N/A	N/A	Victoria Bryant Executive Director	N/A
PRIOR YEAR (6/30/19)						
<u>Internal Control:</u>						
19-01	Unknown	None	N/A	N/A	Victoria Bryant Executive Director	N/A