

The Arc Rapides, Inc.

Alexandria, Louisiana

June 30, 2024

The Arc Rapides, Inc.

June 30, 2024

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Accountant's Review Report

To the Board of Directors
The Arc Rapides, Inc.
Alexandria, Louisiana

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

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

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





PAYNE, MOORE & HERRINGTON, LLP

To the Board of Directors
The Arc Rapides, Inc.
Alexandria, Louisiana

Accountant's Conclusion

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

Supplementary Information

The supplementary information included in the Schedule of Compensation, Benefits and Other Payments to the Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Payne, Moore & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

November 25, 2024

The Arc Rapides, Inc.
Statement of Financial Position
June 30, 2024

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 927,292	\$ -	\$ 927,292
Certificates of deposit	877,229	-	877,229
Grants and accounts receivable, net	121,133	-	121,133
Investments	293,868	-	293,868
Prepaid expenses	20,424	-	20,424
Other current asset	385	-	385
Property, plant, and equipment, net	1,679,633	-	1,679,633
Right-of-use lease asset	140,154	-	140,154
	<u>4,060,118</u>	<u>-</u>	<u>4,060,118</u>
Total Assets	\$ 4,060,118	\$ -	\$ 4,060,118
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 47,868	\$ -	\$ 47,868
Accrued liabilities	84,097	-	84,097
Compensated absences	26,766	-	26,766
Right-of-use lease liability - current	31,477	-	31,477
Right-of-use lease liability	108,677	-	108,677
Total Liabilities	298,885	-	298,885
Net Assets			
Without donor restrictions	3,761,233	-	3,761,233
With donor restrictions	-	-	-
Total Net Assets	3,761,233	-	3,761,233
Total Liabilities and Net Assets	\$ 4,060,118	\$ -	\$ 4,060,118

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

The Arc Rapides, Inc.
Statement of Activities
Year Ended June 30, 2024

Exhibit B

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses), and Other Support			
Program service fees			
Production and service contracts	\$ 114,424	\$ -	\$ 114,424
Food service	43,326	-	43,326
LA/DHH HCBS	3,268,256	-	3,268,256
LA/WC LRS	37,750	-	37,750
Contributions of cash and other financial assets	15,905	-	15,905
Contributions of nonfinancial assets	65,806	-	65,806
Thrift store sales, net of returns	65,806	-	65,806
Membership dues	1,270	-	1,270
Investment earnings			
Interest income	44,062	-	44,062
Dividend income	79,698	-	79,698
Miscellaneous revenue	370,847	-	370,847
Gain (loss) on sale of equipment	26,050	-	26,050
Fundraiser revenue, net	11,059	-	11,059
Net assets released from restrictions	616,394	(616,394)	-
Total Revenues, Gains (Losses), and Other Support	4,760,653	(616,394)	4,144,259
Expenses			
Program Services			
Supported living	1,485,664	-	1,485,664
Supported employment	597,686	-	597,686
Day habilitation	611,323	-	611,323
Pre-vocational	221,615	-	221,615
Food service	101,126	-	101,126
Thrift store	262,270	-	262,270
Supporting Services			
Management and general	1,107,405	-	1,107,405
Total Expenses	4,387,089	-	4,387,089
Change in Net Assets	373,564	(616,394)	(242,830)
Net Assets, Beginning of Year	3,387,669	616,394	4,004,063
Net Assets, End of Year	\$ 3,761,233	\$ -	\$ 3,761,233

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

The Arc Rapides, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

Exhibit C

	Program Services					Supporting Services		Total
	Supported Living	Supported Employment	Day Habilitation	Pre-Vocational	Food Service	Thrift Store	Management and General	
Salaries and wages	\$ 1,289,533	\$ 413,091	\$ 230,434	\$ 76,218	\$ 25,944	\$ 85,873	\$ 644,930	\$ 2,766,023
Payroll taxes	112,488	29,882	17,282	14,577	1,955	3,591	112,031	291,806
Employee benefits	-	-	-	-	-	-	67,779	67,779
Personnel related expenses	4,216	2,885	3,008	649	9	1,014	2,638	14,419
Communications	12,359	5,077	5,594	2,944	393	624	35,887	62,878
Computer and software	-	715	-	-	-	-	5,258	5,973
Contract services	-	445	1,057	352	-	-	44,991	46,845
Dues and subscriptions	-	-	-	-	-	-	12,682	12,682
Equipment	1,394	2,929	5,302	2,071	257	6,486	11,486	29,925
Food expense	-	-	-	-	65,515	-	12,182	77,697
Insurance	29,322	10,167	19,677	9,570	1,413	-	17,004	87,153
Postage and freight	-	-	-	-	-	-	2,651	2,651
Miscellaneous	-	-	-	-	-	2,512	7,508	10,020
Rent Expense	-	-	-	-	-	16,000	-	16,000
Production expenses	-	996	22	95	-	-	-	1,113
Program expenses	1,233	1,351	2,448	885	56	8,805	20,249	35,027
Public relations	1,760	3,105	4,347	197	-	-	3,167	12,576
Supplies	2,344	7,383	12,818	7,417	1,302	61,878	66,437	159,579
Training and in-service	1,129	741	447	31	5	318	2,069	4,740
Transportation	-	62,884	168,453	54,241	-	-	7,023	292,601
Travel	12,179	1,749	1,946	-	-	2,026	5,179	23,079
Utilities	6,201	12,857	31,127	13,533	2,030	4,931	10,221	80,900
Property expenses	10,101	4,324	10,174	4,423	767	887	11,818	42,494
Cost of goods sold	-	-	-	-	-	65,806	-	65,806
Depreciation	1,405	37,105	97,187	34,412	1,480	1,519	4,215	177,323
Total Expenses	\$ 1,485,664	\$ 597,686	\$ 611,323	\$ 221,615	\$ 101,126	\$ 262,270	\$ 1,107,405	\$ 4,387,089

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

The Arc Rapides, Inc.
Statement of Cash Flows
Year Ended June 30, 2024

Exhibit D

Cash Flows From Operating Activities

Change in net assets	\$ (242,830)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	177,323
(Gain) loss on sale of equipment	(26,050)
Changes in operating assets and liabilities:	
Grants and accounts receivable	906,625
Prepaid expenses	(5,812)
Accrued interest	85
Other current assets	3,821
Accounts payable	(51,045)
Accrued liabilities	26,145
Compensated absences	424
Cash Provided by (Used in) Operating Activities	<u>788,686</u>

Cash Flows From Investing Activities

Purchase of investments	(2,188,861)
Proceeds from maturity of certificates of deposit	2,263,047
Proceeds from the sale of equipment	26,050
Purchase of property, plant, and equipment	(731,692)
Cash Provided by (Used in) Investing Activities	<u>(631,456)</u>

Cash Provided by (Used in) Financing Activities

	<u>-</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	157,230
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Cash and Cash Equivalents, Beginning of Year	<u>770,062</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ 927,292</u></u>
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Additional Required Disclosures:

1. Management considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. There was no interest paid during the year ended June 30, 2024.
3. There were no income taxes paid during the year ended June 30, 2024.
4. Noncash investing and financing purchases of other assets through lease obligations \$ 152,768

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

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Arc Rapides, Inc. (Arc) was incorporated in the State of Louisiana on February 10, 1955, as a non-profit organization to provide education, community-based training, and necessary support designed to culminate in the greatest possible level of independent living for individuals with intellectual and developmental disabilities in Rapides Parish, Louisiana. Programs include:

- Supported Living Program: individualized and family support services offered in homes and apartments that are designed to achieve and/or maintain outcomes of independence, productivity, and community inclusion.
- Supported Employment Program: individualized employment or mobile work crews provided in an integrated competitive work setting.
- Day Habilitation Program: individualized non-employment services that are focused on skill development in socialization, adaptive learning, recreation, and community experiences.
- Pre-Vocational Program: individualized facility-based paid work emphasizing productivity. Paid work is complemented with recreational and community inclusion opportunities.
- Food Service Program: facility-based lunch program for participants.
- Thrift Store: Program providing our community with a low-cost place to shop for everyday needs such as clothing, household goods, and furniture; helping people who are in difficult situations start over again; providing a place of employment for disabled individuals integrated in the community; and providing a reputable outlet for items people no longer need.

Primary funding is derived from contracts for services with the State of Louisiana Department of Health and Human Services. The membership of the organization is open to all citizens of Rapides Parish, Louisiana, upon payment of dues.

Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

New Accounting Standard

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

financial assets measured at amortized cost, including held-to-maturity debt securities. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The ASU is applicable and was adopted by The Arc Rapides, Inc. during the year ended June 30, 2024. The implementation of this standard did not have a material effect on the financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Arc reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor-imposed restrictions, program service fees, and interest from operating investments, less expenses incurred in providing program related services and performing administrative functions.
- Net assets with donor restrictions – These net assets result from agreements, gifts of cash, and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends, or the purpose of the restriction is accomplished.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts in interest bearing and noninterest bearing checking accounts, interest bearing savings accounts, and short term, highly liquid investments.

Certificates of Deposit

Certificates of deposit have a maturity date in excess of 90 days when purchased and are stated at cost, which approximates market value.

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

Grants and Accounts Receivable

Grants and accounts receivable are recorded net of an allowance for credit losses based on management's evaluation of the age of the receivables. Receivables are written off after all reasonable collection efforts have been exhausted. (See Note 2).

Investments

Investments consist of marketable securities that are reported at fair market value based on quoted market prices.

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year.

Property, Plant, and Equipment

Purchased property and equipment, including improvements thereto, are recorded at acquisition cost. Donated property and equipment are recorded at their fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The Arc has adopted a minimum capitalization threshold for any individual item of \$5,000 and greater. Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements that improve or extend the useful lives of the respective assets are capitalized at cost.

Accrued Liabilities

Accrued liabilities consist of salaries and related benefits and taxes payable at year-end.

Compensated Absences

Employees of the Arc are entitled to be paid for accrued time earned as paid time off, depending on job classification, length of service, and other factors. Employees are allowed to carry over ten days of paid time off to the following year, but this is subject to change on a situational basis as determined by the executive director. The Arc accrues a liability for unused paid time off at fiscal year-end.

Revenues and Support

All contributions, grants, and fees are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions, grants, and fees received with donor-imposed restrictions are recorded as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

Production and service contracts and food service revenue are invoiced monthly based on rates established by the Arc. These services are considered to be one performance obligation, which is satisfied over the period of time during which the services are rendered. Payment for these services is due upon receipt of the invoice. This method is consistent with the as-invoiced practical expedient.

Fundraiser revenue is reported net of fundraiser expenses in the statement of activities.

The Arc also has a thrift store as a subsidiary of the Organization. It sells clothing, accessories, and household items that have been donated to the Thrift Store to the general public. The transaction price is established by the Thrift Store based on thrift store price values common for these items. The performance obligation is the delivery of the goods to the customer. As each item is individually priced, no allocation of the transaction price is necessary. The Arc and Thrift Store recognize sales revenue as the customer pays and takes possession of the merchandise.

Contributions of Nonfinancial Assets

Donated equipment and services are reflected as contributions of nonfinancial assets at their estimated fair value at the date of receipt and are recorded as expenses for current operations. Donated services that require specialized skills are provided by individuals possessing those skills. The Arc would be required to purchase these services if donated services were not available. The Arc uses the donated equipment and services for its own programs and supporting services. The Arc will occasionally sell donated equipment at the end of its useful life. There were no donated equipment or services reflected in the financial statements for the year ended June 30, 2024.

Donated goods received by the Thrift Store are valued at estimated fair value using valuation guides available from other thrift stores, which mimics the expected sales value. Donated goods are reflected as contributions of nonfinancial assets upon receipt of the goods.

Functional Allocation of Expenses

Costs incurred by the Arc from providing various program and support services have been presented on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated on a reasonable and consistent basis among the functional areas benefited. Most expenses are charged directly to program or support services based on specific identification. Other expenses are allocated based on square footage of the buildings in which each program operates, and depreciation for vehicles is allocated based on information from the Transportation Census.

Public Relations

Public relation costs are expensed when incurred. Public relation costs charged to expense for the year ended June 30, 2024, totaled \$12,576.

Income Tax Status

The Arc is a nonprofit 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. The Arc's tax returns remain subject to audit by the IRS for three years after filing. At June 30, 2024, the returns for tax years 2021, 2022, and 2023 remain open.

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

Subsequent Events

Management has evaluated subsequent events through November 25, 2024, the date which the financial statements were available for issue.

2. Grants and Accounts Receivable

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Support receivable (DHH)	\$ 121,133	\$ 523,832
Production contracts and food services receivable	-	20,178
Donated assets receivable (Restricted)	-	616,394
Less:	121,133	1,160,404
Allowance for credit losses	-	(132,646)
	<u>\$ 121,133</u>	<u>\$ 1,027,758</u>

3. Fair Value Measurements

ASC Topic 820 requires the Arc to disclose estimated fair value, which approximates carrying value, for all financial instruments and non-financial instruments measured at fair value on a recurring basis. The fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 specifies a hierarchy of inputs to valuation techniques, which categorizes inputs to fair value measurement that reflect assumptions other market participants would use, based upon market data obtained from independent sources (observable inputs). This hierarchy consists of three broad levels as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Arc uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Fair values of assets measured on a recurring basis at June 30, 2024, are as follows:

	<u>Fair Value Measurement Reporting Date Using</u>			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
Debt securities	\$ 293,868	\$ 293,868	\$ -	\$ -

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

4. Property, Plant, and Equipment

The following schedule summarizes estimated useful life, cost, and accumulated depreciation of property, plant, and equipment as of June 30, 2024:

	<u>Life</u>	<u>2024</u>
Land		\$ 33,615
Building and improvements	15 – 40 Years	1,528,366
Vehicles, furniture, and equipment	4 – 10 Years	<u>1,811,870</u>
		3,373,851
Less: accumulated depreciation		<u>(1,694,218)</u>
		\$ 1,679,633

Depreciation expense for the year ended June 30, 2024, was \$177,323.

5. Right-of-Use Lease Asset and Liability

The Organization leases a facility located in Alexandria, Louisiana for the thrift store under long-term non-cancelable operating lease arrangements. This lease expires on August 31, 2028. An operating lease provides for increases in future minimum annual rental payments. The weighted-average discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term. Operating leases with a term of twelve (12) months or less are not recorded on the statement of financial position.

Total right-of-use lease asset and liability at June 30, 2024, are as follows:

	<u>Amount</u>
Lease Assets – Classification in Statement of Financial Position	
Operating lease right-of-use asset	\$ 140,154
Lease Liabilities – Classification in Statement of Financial Position	
Operating lease liability	\$ 140,154

Total lease costs for the year ended June 30, 2024, are as follows:

Operating lease costs	\$ 16,000
Weighted-average discount rate:	
Operating lease	5.50%
Weighted-average remaining lease term	
Operating lease	4.08 years

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

Future minimum lease payments required under the operating lease in effect at June 30, 2024, that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2025	\$ 38,400
2026	38,400
2027	38,400
2028	38,400
2029	<u>3,200</u>
Total lease payment	156,800
Less: imputed interest	<u>(16,646)</u>
Present value of liability	\$ 140,154

6. Liquidity and Availability of Financial Assets

The following reflects the Arc's financial assets as of June 30, 2024, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	<u>June 30, 2024</u>
Financial assets:	
Cash and cash equivalents	\$ 927,292
Certificates of deposit	877,229
Grants and accounts receivable, net	121,133
Investments	<u>293,868</u>
Total financial assets	2,219,522
Less those unavailable for general expenditure within one year, due to:	
Restricted by donors with purpose restrictions	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,219,522

The Arc must maintain sufficient resources to meet responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Arc's liquidity management, it structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Arc anticipates covering its general expenditures by collecting sufficient revenues, investing excess cash in certificates of deposit, and utilizing resources from current year contributions and program service fees.

7. Significant Concentrations

The Arc maintains checking accounts, savings accounts, and certificates of deposit in various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The organization's deposits exceeded FDIC coverage by \$551,728 at June 30, 2024.

The Arc Rapides, Inc.
June 30, 2024

Notes to Financial Statements

Investments of debt securities and certificates of deposit are traded on national stock exchanges and are subject to fluctuations in value. These accounts are insured up to \$500,000, which includes a \$250,000 limit for cash, by Securities Investor Protection Corporation (SIPC). SIPC insurance covers theft or destruction of securities or cash. It does not protect against market losses. The uninsured cash, certificates of deposit, and investment balances held in brokerage accounts totaled \$822,241 at June 30, 2024.

The State of Louisiana Department of Health and Hospitals (DHH) Home and Community Based Service Provider (HCBS) and Workforce Commission's (WC) Louisiana Rehabilitation Services (LRS) provided \$3,306,006 in service contract funds, which is approximately 81% of total revenues and support. Without these funds, programs would be significantly affected.

Supplementary Information

The Arc Rapides, Inc.
Schedule of Compensation, Benefits and Other Payments
to the Agency Head or Chief Executive Officer
June 30, 2024

Statement E

Duane Urbina, CEO

Salary	\$ 86,115
Reimbursements	904
Travel	5,714
Meals	259
Cell phone	600
Total	\$ 93,592

See independent accountant's review report.