

The Arc of Louisiana
Baton Rouge, Louisiana

AUDITED FINANCIAL STATEMENTS
June 30, 2023 and 2022



TWRU

CPAs & Financial Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of Louisiana
Baton Rouge, Louisiana

Opinion

We have audited the accompanying financial statements of Arc of Louisiana (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arc of Louisiana as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arc of Louisiana and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arc of Louisiana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arc of Louisiana's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, reimbursements, benefits, and other payments to agency head, political subdivision head, or chief executive officer, as required by Louisiana Revised Statute 24:513(A)(3), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023, on our consideration of the Arc of Louisiana's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Arc of Louisiana's 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 Louisiana's internal control over financial reporting and compliance.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 29, 2023



The Arc of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION
(See Notes to Financial Statements)
June 30, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 654,505	\$ 606,132
Restricted Cash	6,892	-
Contracts Receivable	230,593	223,326
Due from Foundation	16,534	45,665
Receivables - Other	81	-
Prepaid Expenses	5,395	6,734
TOTAL CURRENT ASSETS	914,000	881,857
BENEFICIAL INTEREST IN THE FOUNDATION	1,899,520	1,860,975
FURNITURE AND EQUIPMENT		
Furniture and Equipment	76,545	76,545
Less: Accumulated Depreciation	(71,070)	(69,245)
Net Furniture and Equipment	5,475	7,300
TOTAL ASSETS	\$ 2,818,995	\$ 2,750,132
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts & Credit Cards Payable	\$ 61,192	\$ 46,681
Payroll Liabilities	12,861	27,887
Other Liabilities	7,378	3,850
TOTAL CURRENT LIABILITIES	81,431	78,418
LONG-TERM LIABILITIES		
Micro-enterprise Loan	15,715	15,715
TOTAL LIABILITIES	97,146	94,133
NET ASSETS:		
Without Donor Restrictions		
Unrestricted	1,502,639	1,436,789
Board Designated Endowment	1,219,210	1,219,210
Total Without Donor Restrictions	2,721,849	2,655,999
TOTAL NET ASSETS	2,721,849	2,655,999
TOTAL LIABILITIES AND NET ASSETS	\$ 2,818,995	\$ 2,750,132

The Arc of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES
(See Notes to Financial Statements)
For the Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Public Support	\$ 68,890	\$ -	\$ 68,890
Contract Revenue	1,320,442	-	1,320,442
Program Service Revenue	88,966	-	88,966
Interest Income	125	-	125
Change in Net Assets of the Foundation	38,545	-	38,545
Miscellaneous	5,759	-	5,759
Total Support and Revenue	1,522,727	-	1,522,727
Net Assets Released From Restrictions	-	-	-
Total Unrestricted Revenues and Support	1,522,727	-	1,522,727
EXPENSES			
Program Services	1,066,171	-	1,066,171
Management and General	390,706	-	390,706
Total Expenses	1,456,877	-	1,456,877
Changes in Net Assets	65,850	-	65,850
Net Assets - Beginning of Year	2,655,999	-	2,655,999
Net Assets - End of Year	\$ 2,721,849	\$ -	\$ 2,721,849

2022

Without Donor Restrictions	With Donor Restrictions	Total
\$ 49,922	\$ -	\$ 49,922
1,289,966	-	1,289,966
97,919	-	97,919
50	-	50
(45,839)	-	(45,839)
-	-	-
455	-	455
1,392,473	-	1,392,473
-	-	-
1,392,473	-	1,392,473
1,078,769	-	1,078,769
321,717	-	321,717
1,400,486	-	1,400,486
(8,013)	-	(8,013)
2,664,012	-	2,664,012
\$ 2,655,999	\$ -	\$ 2,655,999

The Arc of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES
(See Notes to Financial Statements)
For the Years Ended June 30, 2023 and 2022

	2023			
	Program Services	Management and General	Fundraising	Total
EXPENSES				
Bad Debt	\$ -	\$ 7,186	\$ -	\$ 7,186
Conventions	4,951	-	-	4,951
Depreciation and Amortization	1,369	456	-	1,825
Direct Program Services	894,503	-	-	894,503
Dues and Subscriptions	175	12,312	-	12,487
Employee Benefits	12,618	25,618	-	38,236
Insurance Expense	-	-	-	-
Janitorial Services	-	2,334	-	2,334
Meetings	-	5,552	-	5,552
Miscellaneous	-	9,174	-	9,174
Payroll Taxes	7,377	21,116	-	28,493
Postage	-	375	-	375
Professional Services	6,800	56,909	-	63,709
Rental Expense	19,257	19,257	-	38,514
Repairs and Maintenance	1,519	4,077	-	5,596
Salaries	102,149	203,072	-	305,221
Supplies and Printing	1,509	1,508	-	3,017
Telephone	1,684	1,684	-	3,368
Training	1,050	350	-	1,400
Travel	6,225	14,742	-	20,967
Utilities	4,985	4,984	-	9,969
	\$ 1,066,171	\$ 390,706	\$ -	\$ 1,456,877

2022

Program Services	Management and General	Fundraising	Total
\$ -	\$ -	\$ -	\$ -
-	74	-	74
1,369	456	-	1,825
881,075	-	-	881,075
45	12,383	-	12,428
8,596	25,228	-	33,824
-	5,531	-	5,531
1,095	1,096	-	2,191
-	2,557	-	2,557
-	9,106	-	9,106
7,739	18,027	-	25,766
165	166	-	331
25,212	17,411	-	42,623
19,321	19,321	-	38,642
5,257	10,891	-	16,148
101,855	186,038	-	287,893
1,905	1,905	-	3,810
3,642	3,641	-	7,283
17,130	75	-	17,205
-	3,448	-	3,448
4,363	4,363	-	8,726

The Arc of Louisiana
(A NOT-FOR-PROFIT ORGANIZATION)
Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS
(See Notes to Financial Statements)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 65,850	\$ (8,013)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	1,825	1,825.00
Change in Beneficial Interest of Foundation	(38,545)	45,839
(Increase) Decrease in Operating Assets:		
Contracts Receivable	(7,267)	7,272
Due from the Foundation	29,131	(34,136)
Receivables - Other	(81)	76
Prepaid Expenses	1,339	1,847
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Other Accrued Liabilities	3,013	17,487
Net Cash Provided by Operating Activities	<u>55,265</u>	<u>32,197</u>
 Cash Provided by (Used in) Investing Activities:		
Purchase of Equipment	-	(9,125)
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(9,125)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	55,265	23,072
 BEGINNING CASH AND CASH EQUIVALENTS	<u>606,132</u>	<u>583,060</u>
 ENDING CASH AND CASH EQUIVALENTS	<u>\$ 661,397</u>	<u>\$ 606,132</u>
 SCHEDULE OF CASH AND CASH EQUIVALENTS		
Unrestricted Cash	\$ 654,505	\$ 606,132
Restricted Cash	<u>6,892</u>	<u>-</u>
 TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 661,397</u>	<u>\$ 606,132</u>

The Arc of Louisiana
(A not-for-profit organization)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Arc of Louisiana (the Organization) is an organization that advocates with and for all people with intellectual and developmental disabilities and their families so that they shall live to their fullest potential.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. The Organization does not have any net assets with donor restrictions as of June 30, 2023 and 2022.

Revenue Recognition – The Organization accounts for contributions as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions. When the stipulated time restriction or purpose restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions as a release from restrictions. Revenue that is received and expended in the same fiscal year is recorded as an increase in net assets without donor restrictions.

Donated Assets – Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. There were no donated assets for the years ended June 30, 2023 and 2022.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. A significant portion of the Organization's functions are conducted by unpaid volunteers. There were no donated services for the years ended June 30, 2023 and 2022.

Donated Property and Equipment – Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. There were no donated property and equipment for the years ended June 30, 2023 and 2022.

The Arc of Louisiana
(A not-for-profit organization)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates – Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

Contracts Receivable – Contracts receivable represents amounts owed to the Organization for costs incurred under various contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2023 and 2022.

Furniture and Equipment – All acquisitions of furniture and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Furniture and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of furniture and equipment is computed using the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 7 years. Depreciation expense was \$1,825 and \$1,825 for the years ended June 30, 2023 and 2022.

Membership Dues – The Organization receives quarterly membership dues from 21 Arc chapters throughout Louisiana. These dues are recognized as revenue in the applicable membership period.

Advertising – The Organization uses advertising to promote its programs. The costs of advertising are expensed as incurred. During the years ended June 30, 2023 and 2022, no advertising expenses were recorded.

Functional Allocation of Expenses – The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization has no unrelated business income for the fiscal years ended June 30, 2023 and 2022. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Arc of Louisiana
(A not-for-profit organization)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued) – The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse on the Organization’s financial condition, results of operations, or cash flows. The Organization’s tax returns are subject for review for the years ended June 30, 2020, 2021, and 2022.

NOTE 2: BENEFICIAL INTEREST IN THE ARC OF LOUISIANA FOUNDATION

The Organization has a beneficial interest in the Arc of Louisiana Foundation (the Foundation). The Organization recognizes the beneficial interest in the Foundation using the equity method of accounting. As of June 30, 2023 and 2022, the beneficial interest in the Foundation was \$1,899,520 and \$1,860,975, respectively.

The activity in the beneficial interest in the Foundation consisted of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 1,860,975	\$ 1,906,814
Add: Support and Revenue	104,395	19,517
Less: Operating Expenses	<u>(65,850)</u>	<u>(65,356)</u>
Balance at End of Year	<u>\$ 1,899,520</u>	<u>\$ 1,860,975</u>

The board designated endowment funds of the Foundation are measured at fair value. The following table sets forth a summary of changes in the fair value of the level 1 and 2 assets for the year end June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 1,601,579	\$ 1,618,062
Add: Support and Revenue	130,371	589
Less: Withdrawals	(91,482)	-
Less: Operating Expenses	<u>(16,158)</u>	<u>(17,072)</u>
Balance at End of Year	<u>\$ 1,624,310</u>	<u>\$ 1,601,579</u>

For the years ended June 30, 2023 and 2022, \$1,219,210 is board designated as the principal/corpus amount of the endowment. The endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return consisting of 70% stocks and 30% bonds. Appropriation of the endowment principal for spending shall require a two-thirds favorable vote of both the Foundation Board and the Organization’s Board.

NOTE 3: PENSION CONTRIBUTION

The Organization offers its employees the opportunity to enroll in a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. This plan allows employees, at their option, to make contributions using payroll deductions. The Organization contributes 6% of the employee’s eligible compensation. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Total plan expenses for the years ended June 30, 2023 and 2022 were \$14,727 and \$11,000, respectively.

The Arc of Louisiana
(A not-for-profit organization)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4: RESTRICTIONS ON NET ASSETS

The Organization's board of directors has chosen to designate \$1,219,210 as the principal/corpus of the endowment fund (See Note 2).

NOTE 5: RELATED PARTY TRANSACTIONS

The Organization and the Arc of Louisiana Foundation (the Foundation) are affiliated organizations. Some board members of the Organization also serve on the board of the Foundation. The Foundation owns the facility in which the organizations share office space and accounting personnel. The Organization includes \$36,000 in public support and \$36,000 in rental expense for each of the years ended June 30, 2023 and 2022. There is no lease on the facility as the organizations periodically determine an agreed upon annual rent.

In addition, the Organization and the Foundation share the costs of some joint activities. The types of expenses that are incurred by both organizations include salaries, payroll taxes, office supplies, telephone, postage, and printing. The organizations allocate expenses based on actual costs and an estimate of usage. The Organization recognized \$6,000 of income from the Foundation for these joint costs for each of the years ended June 30, 2023 and 2022 and is included in public support.

As of June 30, 2023 and 2022, the Organization has a receivable from the Foundation of \$16,534 and \$45,665, respectively. The Organization paid for \$16,534 and \$31,907 in primarily insurance, audit, improvements, and maintenance and repair expenses for the Foundation for the years ended June 30, 2023 and 2022, respectively. During the years ended June 30, 2023 and 2022, the Foundation reimbursed the Organization \$45,665 and \$0, respectively, for prior expenditures. The Foundation also paid the Organization \$6,000 for amounts representing joint expense reimbursements for the years ended June 30, 2023 and 2022.

NOTE 6: CONCENTRATIONS

Custodial Credit Risk – The Organization maintains its cash balances in three financial institutions located in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At various times of the year, the Organization may have cash in banks in excess of these federally insured amounts.

Revenue – During the years ended June 30, 2023 and 2022, the Organization received approximately 76% and 81%, respectively, of its total contract revenue from one contract.

NOTE 7: LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the statement of financial position date as of June 30, 2023, and 2022.

	<u>2023</u>	<u>2022</u>
Cash - unrestricted	\$ 654,505	\$ 606,132
Contracts Receivable	230,593	223,326
Due from Foundation	16,534	45,665
Other Receivables	81	-
Financial Assets Available to Meet Cash Needs for General Expenditures within one Year	<u>\$ 901,713</u>	<u>\$ 875,123</u>

The Arc of Louisiana
(A not-for-profit organization)
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8: PRIOR PERIOD ADJUSTMENT

During the audit, an error was discovered which affected accounts receivable, cash, and public support revenues in the prior period. This error caused accounts receivable, cash, and public support revenue to be overstated by \$3,771, \$1,000, and \$4,771, respectively. The statements presented above for 2022 have been corrected, resulting in a decrease in net assets of \$4,771.

NOTE 9: RECENT PRONOUNCEMENT

In July 2022, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU required nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The Organization's adoption of ASU No. 2020-07 had no effect on their financial statements.

In February 2016, the FASB issues ASU No. 2016-02, Leases (Topic ASC 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all organizations that lease assets. The standard requires organizations to recognize, on the balance sheet, the assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative and quantitative disclosures providing additional information about the amounts recorded in the financial statements. The Organization elected to use the practical expedients while implementing ASC 842. There were no leases recognized on the balance sheet as of June 30, 2023. The Organization's adoption of ASU No. 2016-02 had no effect on their financial statements.

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 29, 2023, the date the financial statements were available to be issued and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.



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

To the Board of Directors of
The Arc of Louisiana
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Louisiana (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc of Louisiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc of Louisiana's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arc of Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 is required to be reported under *Government Auditing*.

Purpose of this Report

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

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 29, 2023

The Arc of Louisiana
(A not-for-profit organization)
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2023

SUMMARY OF AUDITORS' REPORTS

Financial Statements:

Type of report issued the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Opinion

Internal Control over Financial Reporting:

Material Weakness(es) Identified

No

Significant Deficiency(ies) Identified

No

Noncompliance Material to Financial Statements Noted

No

FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None

The Arc of Louisiana
(A not-for-profit organization)
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
June 30, 2022

SUMMARY OF AUDITORS' REPORTS

Financial Statements:

Type of report issued the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified Opinion

Internal Control over Financial Reporting:

Material Weakness(es) Identified No

Significant Deficiency(ies) Identified No

Noncompliance Material to Financial Statements Noted No

FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Finding Reference Number 2022-01

Compliance

Requirement: Audited financial statements due to the Louisiana Legislative Auditor's office six months after year end.

Condition: The annual audit reporting package was not submitted to the Louisiana Legislative Auditor by the December 31, 2022 due date. However, an extension to submit the audit package was approved through January 31, 2023.

Criteria: The Louisiana Legislative Auditor regulations require submission of audit report within six months of year end.

Effect: The Arc of Louisiana was late in submitting the audit reporting package, however the reporting package was submitted within the extended due date of January 31, 2023.

Cause: Audit was delivered late due to lead auditor illness incurred in December 2022.

Recommendation: Engage audit firm and set fieldwork dates as early as possible.

Auditor's Summary of Auditee's Comments: In the future, management will discuss with audit firm and set date to start audit and fieldwork to begin earlier so audit can be completed by December 31 deadline.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of The ARC of Louisiana (the Arc) and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022, through June 30, 2023. The ARC of Louisiana's management is responsible for those C/C areas identified in the SAUPs.

The ARC of Louisiana has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2022, through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - iii. ***Disbursements***, including processing, reviewing, and approving.
 - iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - vii. ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

- viii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

No exceptions noted.

2) **Board or Finance Committee**

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Report whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue fund. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, **obtain the prior year audit report and observe the unassigned fund balance in the general fund.** If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

No exception noted.

3) *Bank Reconciliations*

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged).
 - ii. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Finding:

With regards to item "i.", the February bank reconciliation was completed on May 9, 2023.

With regards to item "ii.", the February bank reconciliation did not show evidence of review by management or a board member.

With regards to item "iii.", the bank reconciliation contains items which are older than 12 months.

Management's Response:

Procedures have been updated to ensure that bank reconciliations are completed within the proper time frame, are reviewed by management, and old items will be properly disposed.

4) *Collections (excluding electronic funds transfers)*

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers.
 - ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Not Applicable – all public funds received through EFTs.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Not Applicable – all public funds received through EFTs.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Not Applicable – all public funds received through EFTs.

5) *Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions noted.

- B. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- i. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.

No exceptions noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exceptions noted.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

- C. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

No exceptions noted.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - iii. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Finding:

With regards to item “iv.”, one of the reimbursements reviewed was not verified by someone other than the person requesting reimbursement.

Management’s Response:

Procedures have been updated to ensure that reimbursements are reviewed by someone other than the person requesting reimbursement.

8) *Contracts*

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law.
 - iii. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

9) *Payroll and Personnel*

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.



- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Not Applicable – no termination payments during fiscal period.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not applicable.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

Not Applicable – no debt service.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not Applicable – no debt service.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Not Applicable.

- B. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Not Applicable.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures,

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Not applicable – no terminations

14) Prevention Sexual Harassment

- A. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Not Applicable.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Not Applicable.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements.
 - ii. Number of sexual harassment complaints received by the agency.
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred.
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Not Applicable.

We were engaged by The ARC of Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of The ARC of Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 29, 2023

