



The Arc of Greater New Orleans

FINANCIAL STATEMENTS

June 30, 2022 and 2021



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REPORT





Carr, Riggs & Ingram, LLC
111 Veterans Memorial Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Arc of Greater New Orleans (the Organization), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

Metairie, LA
January 3, 2023



FINANCIAL STATEMENTS



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

<i>June 30,</i>	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 1,968,437	\$ 1,736,882
Accounts receivable	571,539	381,724
Employee retention tax credit receivable	399,162	1,401,049
Prepaid expenses	103,591	59,827
Restricted trust fund	37,813	43,114
Other current assets	2,083	2,083
Total current assets	3,082,625	3,624,679
Property and equipment, net	1,468,000	1,178,444
Total assets	\$ 4,550,625	\$ 4,803,123
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 471,786	\$ 484,922
Compensated absences	104,470	98,027
Refundable advance - Paycheck Protection Program (PPP)	-	893,575
Current maturities of notes payable	279,968	317,648
Total current liabilities	856,224	1,794,172
Notes payable, less current maturities	12,851	8,677
Total liabilities	869,075	1,802,849
Net assets		
Without donor restrictions	3,638,050	2,929,774
With donor restrictions	43,500	70,500
Total net assets	3,681,550	3,000,274
Total liabilities and net assets	\$ 4,550,625	\$ 4,803,123

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

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

<i>For the years ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summarized Total
Revenues and Other Support				
Federal grant income	\$ 104,193	\$ -	\$ 104,193	\$ 399,286
Contributions of cash and other financial assets	232,880	43,355	276,235	146,597
Contributions of nonfinancial assets	62,394	-	62,394	62,394
United Way allocations	48,211	-	48,211	42,963
Client fees	892,083	-	892,083	482,795
Medicaid	5,804,254	-	5,804,254	4,915,296
Group home	42,235	-	42,235	38,208
PPP loan forgiveness	893,575	-	893,575	598,705
Other income	40,057	-	40,057	15,000
Other income - ERTC benefit	-	-	-	1,401,049
Net assets released from restrictions	70,355	(70,355)	-	-
Total revenue and other support	8,190,237	(27,000)	8,163,237	8,102,293
Expenses				
<i>Program services</i>				
Employment services	133,364	-	133,364	121,855
Individual options	1,637,669	-	1,637,669	1,529,815
Residential support and services	3,263,150	-	3,263,150	3,029,911
Arc enterprises	1,091,883	-	1,091,883	996,417
Family service coordination	270,374	-	270,374	218,574
Total program services	6,396,440	-	6,396,440	5,896,572
<i>Supporting services</i>				
General and administrative	1,085,521	-	1,085,521	1,273,819
Total supporting services	1,085,521	-	1,085,521	1,273,819
Total expenses	7,481,961	-	7,481,961	7,170,391
Change in Net Assets	708,276	(27,000)	681,276	931,902
Net assets at beginning of year	2,929,774	70,500	3,000,274	2,068,372
Net assets at end of year	\$ 3,638,050	\$ 43,500	\$ 3,681,550	\$ 3,000,274

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

The Arc of Greater New Orleans Statements of Functional Expenses

<i>For the year ended June 30,</i>	Program Services					Supporting Services		2021	
	Employment services	Individual options	Residential support and services	Arc enterprises	Family services coordination	General and administrative	2022 Total	Summarized Total	
Salaries	\$ 94,767	\$ 782,995	\$ 2,714,839	\$ 496,755	\$ 197,915	\$ 605,931	\$ 4,893,202	\$ 4,725,092	
Benefits	2,522	45,838	92,240	40,101	14,230	41,345	236,276	262,774	
Payroll taxes	7,333	60,655	211,999	38,910	14,941	46,462	380,300	342,662	
Professional services	3,321	15,776	55,523	21,353	10,909	135,910	242,792	313,874	
Supplies	670	615	2,245	3,066	609	23,669	30,874	36,348	
Advertising	608	28,394	15,605	2,849	1,095	32,720	81,271	58,535	
Telephone	1,043	6,149	7,133	8,645	5,091	8,152	36,213	57,861	
Postage	-	45	8	15	14	1,665	1,747	6,314	
Occupancy	6,649	120,765	61,306	134,564	15,270	35,677	374,231	321,325	
Repairs and maintenance	4,476	147,717	6,780	97,873	5,712	26,823	289,381	258,148	
Local transportation	974	268,097	11,536	133,238	446	10,427	424,718	339,518	
Travel, conferences, and training	4,105	7,711	22,729	9,866	682	41,547	86,640	67,672	
Printing and publications	339	290	175	-	-	818	1,622	5,877	
Membership dues	310	855	4,635	947	318	4,672	11,737	14,681	
Other expenses	5,675	73,681	51,469	18,348	698	40,038	189,909	154,894	
Payments to affiliates	108	533	2,842	517	201	9,643	13,844	9,946	
Interest	-	1,625	-	13,161	-	1,416	16,202	19,145	
Bad debt expense	-	63	2,086	2,521	2,243	-	6,913	8,156	
Depreciation and amortization	464	75,865	-	69,154	-	18,606	164,089	167,569	
Total	\$ 133,364	\$ 1,637,669	\$ 3,263,150	\$ 1,091,883	\$ 270,374	\$ 1,085,521	\$ 7,481,961	\$ 7,170,391	

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

The Arc of Greater New Orleans Statements of Cash Flows

<i>For the years ended June 30,</i>	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 681,276	\$ 931,902
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on disposal of property	(2,000)	(15,000)
In-kind vehicle contribution	-	-
Bad debt expense	(6,913)	(8,156)
Depreciation	164,089	167,569
Forgiveness of refundable advance - PPP	(893,575)	(598,705)
Changes in operating assets and liabilities:		
Accounts receivable	(182,902)	171,713
ERTC receivable	1,001,887	(1,401,049)
Inventory	-	7,079
Prepaid expenses	(43,764)	(38,385)
Restricted trust fund	5,301	(15,517)
Other current assets	-	1,922
Accounts payable and accrued expenses	(13,136)	80,220
Compensated absences	6,443	2,528
Net cash provided by (used in) operating activities	716,706	(713,879)
Investing Activities		
Purchases of property and equipment	(453,645)	(31,498)
Proceeds from sale of property and equipment	2,000	15,000
Net cash provided by (used in) investing activities	(451,645)	(16,498)
Financing Activities		
Proceeds from from refundable advance - PPP	-	1,079,325
Proceeds from line of credit	300,000	-
Payments on line of credit	(300,000)	-
Payments on notes payable	(33,506)	(28,406)
Net cash provided by (used in) financing activities	(33,506)	1,050,919
Net change in cash and cash equivalents	231,555	320,542
Cash and cash equivalents at beginning of year	1,736,882	1,416,340
Cash and cash equivalents at end of year	\$ 1,968,437	\$ 1,736,882
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 16,202	\$ 19,145

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

The Arc of Greater New Orleans Notes to the Financial Statements

Note 1: DESCRIPTION OF ORGANIZATION

The Arc of Greater New Orleans (the Organization) was incorporated in July 1953. The Organization is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Family Services Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Arc Enterprises (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a five-parish area (Orleans, Jefferson, Plaquemines, St. Tammany and St. Bernard). The majority of the Organization's revenue is derived from contracts for services with the State of Louisiana, Jefferson Parish, and various private contracts with businesses in the five-parish area.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Use of Estimates

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

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

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

The Arc of Greater New Orleans Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

All receivables at June 30, 2022 and 2021, are considered collectible by management; accordingly, an allowance for doubtful accounts is not considered necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Restricted Trust Fund

The Organization has a trust fund set up with the 501(c) Agencies Trust which is used for the payment of any unemployment claims that arise during the year. The Organization has a reimbursable account with the Louisiana Workforce Commission (LWC), so when a claim is made LWC pays the unemployment and the Organization then reimburses the LWC through their trust account with 501(c) Agencies Trust. For the years ended June 30, 2022 and 2021 the amount available in the trust for unemployment claims was \$37,813 and \$43,114, respectively.

Property and Equipment

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

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization did not record an impairment of long-lived assets for the years ended June 30, 2022 and 2021.

Net Assets

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

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the

The Arc of Greater New Orleans Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued)

broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Donated Assets

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

Donated Services

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

Revenue Recognition

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

Medicaid revenues and client fees are recognized at the time of service which is commensurate with the performance obligation met. Medicaid revenue is recognized based on the Medicaid fee

The Arc of Greater New Orleans Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

schedule provided by the Louisiana Medicaid manual. Client fee revenue is recognized based on the price set by the Organization for the level of service provided.

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

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

Employee Retention Tax Credit

The Organization is accounting for the employee retention tax credit in accordance with FASB ASC 958-605, as a conditional government grant, recognizing the revenue and receivable as the conditions of the grant are met. See Note 17.

Payroll Protection Program

The Organization is accounting for the paycheck protection program loan as a financial liability at June 30, 2021 following the guidance in accordance with FASB ASC 470. See Note 16.

Contributed Nonfinancial Assets

The Organization recognized contributed nonfinancial assets within revenue, including contributions of the use of buildings. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Functional Allocation of Expenses

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

The Arc of Greater New Orleans Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June, 30 2022 and 2021, advertising costs totaled \$81,271 and \$58,535, respectively.

Accrued Compensated Absences

Accumulated paid time off leave up to 80 hours is recorded for administrative employees as an expense and liability as the benefits accrue to employees.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent, administration of self-insurance activities, and commissions. The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June, 30 2022 and 2021, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 3, 2023. See Note 8 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information.

Effectively July 1, 2021, the Organization adopted ASU 2020-07 using the retrospective method, under which contributions of nonfinancial assets are presented separately on the statements of activities at June 30, 2022 and 2021. A description of contributed nonfinancial assets and related qualitative information is disclosed at Note 11.

The Arc of Greater New Orleans Notes to the Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization elected not to early adopt the provisions of ASU 2016-02 for the year ended June 30, 2022. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

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

<i>June 30,</i>	2022	2021
Total assets at year end	\$ 4,550,625	\$ 4,803,123
Less non-financial assets		
Prepaid expenses	(103,591)	(59,827)
Property and equipment, net	(1,468,000)	(1,178,444)
Financial assets at year-end	\$ 2,979,034	\$ 3,564,852
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted trust fund	(37,813)	(43,114)
Restricted by donor with time or purpose restrictions	(43,500)	(70,500)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,897,721	\$ 3,451,238

The Organization is principally supported by its dues and fees charged for the services it provides. The goal of the Organization is to maintain available financial assets to meet its next 90 days of operating expenses of approximately \$1,900,000. In the event of unanticipated liquidity needs, the Organization has a line of credit with available borrowings of \$250,000.

The Arc of Greater New Orleans Notes to the Financial Statements

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

<i>June 30,</i>	2022	2021
Medicaid	\$ 351,149	\$ 270,789
Other	220,390	110,935
Accounts receivable, net	\$ 571,539	\$ 381,724

For the years ended June 30, 2022 and 2021, management wrote off \$6,913 and \$8,156, respectively, of outstanding receivables.

Note 5: PROPERTY AND EQUIPMENT, NET

The components of property and equipment at June 30, 2022 and 2021, are as follows:

	Estimated Useful Lives (in years)	2022	2021
Buildings	10-31	\$ 380,280	\$ 380,280
Leasehold improvements	10-31	1,626,322	1,175,518
Furniture and equipment	3-10	341,722	338,882
Autos, trucks, and tractors	3-10	1,429,229	1,429,229
Total property and equipment		3,777,553	3,323,909
Less: accumulated depreciation and amortization		(2,309,553)	(2,145,465)
Property and equipment, net		\$ 1,468,000	\$ 1,178,444

Depreciation and amortization expense was \$164,089 and \$167,569 for the years ended June 30, 2022 and 2021, respectively.

Note 6: COMPENSATED ABSENCES

The Organization's employees receive from eight to twenty days of annual paid leave upon completion of an introductory period, depending on employee classification. Annual leave vests with the employee, and, therefore, has been accrued up to a maximum accumulated cap of twenty days per employee. Unpaid compensated absences amounted to \$104,470 and \$98,027 at June 30, 2022 and 2021, respectively.

The Arc of Greater New Orleans Notes to the Financial Statements

Note 7: NOTES PAYABLE

Notes payable at June 30, 2022 and 2021, consists of the following:

June 30,	2022	2021
4.95% note payable, dated February 14, 2014, due on demand, secured by real property. If no demand is made, the note is due February 14, 2034, payable in monthly installments to Gulf Coast Bank of \$2,487, including interest.	\$ 267,836	\$ 284,395
7.19% note payable, dated June 10, 2019, due June 10, 2025, payable in monthly installments to Ford Motor Credit of \$518, including interest, secured by real property.	16,889	21,745
6.94% note payable, dated May 24, 2017, paid in full on June 22, 2022, payable in monthly installments to Ford Motor Credit of \$593, including interest, secured by real property.	-	6,195
8.90% note payable, dated September 13, 2018, due September 13, 2022, payable in monthly installments to Ally Bank of \$547, including interest, secured by real property.	8,094	13,990
Total notes payable	292,819	326,325
Current maturities of notes payable	(279,968)	(317,648)
Notes payable, long-term	\$ 12,851	\$ 8,677

Interest expense on notes payable for the years ended June 30, 2022 and 2021 was \$16,202 and \$19,145, respectively.

If no demand is made on the above notes payable, maturities of notes payable subsequent to June 30, 2022, are as follows:

For the years ending June 30,		
2023	\$	28,653
2024		25,134
2025		24,225
2026		19,656
2027		20,651
Thereafter		174,500
Total	\$	292,819

Note 8: LINE OF CREDIT

The Organization has a line of credit available totaling \$250,000 with a maturity date of August 30, 2022. Subsequent to year-end, the Organization renewed the line of credit and extended the maturity date to September 30, 2023. The unpaid principal balance bears interest at the Prime Rate,

The Arc of Greater New Orleans Notes to the Financial Statements

Note 8: LINE OF CREDIT (Continued)

adjusted daily. The interest rate at June 30, 2022 and 2021 was 5.50% and 4.95%, respectively. Interest payments are due monthly. At June 30, 2022 and 2021, the Organization did not have an outstanding balance on its line of credit. Subsequent to year end through the date of this report, the Organization has not drawn on the line of credit.

Note 9: NET ASSETS

A summary of net assets without donor restrictions follows:

<i>June 30,</i>	2022	2021
Undesignated	\$ 3,638,050	\$ 2,929,774
Total net assets without donor restrictions	\$ 3,638,050	\$ 2,929,774

A summary of net assets with donor restrictions follows:

<i>June 30,</i>	2022	2021
Purpose restricted		
Program activities	\$ 43,500	\$ 18,500
Community center renovations	-	52,000
Total net assets with donor restrictions	\$ 43,500	\$ 70,500

A summary of the release of donor restrictions follows:

<i>For the years ended June 30,</i>	2022	2021
Purpose restrictions		
Program activities	\$ 33,355	\$ 21,402
Community center renovations	37,000	21,995
Total net assets with donor restrictions	\$ 70,355	\$ 43,397

Note 10: REVENUE

The Organization recognizes 100% of its revenue at a point in time, which consists of all grants, contributions of financial assets, client fees, Medicaid reimbursements, group home revenue, and other income. For the years ended June 30, 2022 and 2021, the Organization earned 71% and 61%, respectively, of its support and revenues from Medicaid reimbursement arrangements. The Organization received a fixed rate per encounter for its Medicaid program.

The Arc of Greater New Orleans Notes to the Financial Statements

Note 10: REVENUE (Continued)

Accounts receivable included \$351,149 and \$270,789 from Medicaid reimbursement sources for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, Medicaid receivables account for 61% and 71% of total accounts receivable, respectively.

Contract Balances

For the years ended June 30,	2022		2021	
Receivable from contracts, beginning of year	\$	381,724	\$	545,281
Receivable from contracts, end of year	\$	571,539	\$	381,724
Contract liabilities, beginning of year	\$	-	\$	-
Contract liabilities, end of year	\$	-	\$	-

Note 11: CONTRIBUTIONS OF NONFINANCIAL ASSETS

During 2022 and 2021, the Organization was furnished free use of facilities at four locations from unrelated parties. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of an adult day habilitation facility. In valuing the contributed use of the buildings, which are located in Greater New Orleans Area, the Organization estimates the fair value on the basis of recent comparable lease prices in the Greater New Orleans Area real estate market. The aggregate fair market value of the use of these facilities is approximately \$5,200 per month.

These amounts are recorded as contributions of nonfinancial assets in support and revenues in the statements of activities, and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to \$62,394 for the years ended June 30, 2022 and 2021. The commitments for the use of these facilities expire at various times through 2030.

Note 12: CONCENTRATIONS OF CREDIT RISK

The Organization has concentrated its credit risk by maintaining deposits in banks that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. During the year ended June 30, 2021, the Organization began maintaining deposits within a promontory insured cash sweep account. This account allows entities who maintain balances greater than the FDIC insurable limits to maintain their funds within their financial institution while funds are then placed between other reputable banks, allowing for an increase in coverage without the entity having to move the funds themselves.

At June 30, 2022, the Organization had no cash deposits in excess of the FDIC insured limit. At June 30, 2021, the Organization had cash deposits in excess of the FDIC insured limit of \$122,413.

The Arc of Greater New Orleans Notes to the Financial Statements

Note 13: ECONOMIC DEPENDENCY

The Organization receives federal and state funding on a per diem per client/unit basis as well as state and parish grants on a per diem basis. If significant budget cuts are made at the state and/or local levels, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

Note 14: DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution plan (the Plan) covering all employees who agree to make contributions to the Plan. The Organization matches 50% of participants' contributions to the Plan up to 6% of the individual participant's compensation. Total expense for the years ended June 30, 2022 and 2021 was \$33,464 and \$40,485, respectively.

Note 15: PAYMENTS TO AFFILIATES

The Organization paid \$13,844 and \$9,946 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2022 and 2021, respectively for annual dues.

During the year ended June 30, 2022, the Organization incurred expenses totaling \$105,026 for Hurricane Ida related repairs and expenses and were payable to a business which is owned by a board member. The expenses are shown net of insurance proceeds and are included in program services on the statements of activities (see Note 19). At June 30, 2022, \$41,613 of these expenses remained outstanding, and are included in accounts payable and accrued expenses on the statements of financial position.

Note 16: PAYCHECK PROTECTION PROGRAM

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

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

The Arc of Greater New Orleans Notes to the Financial Statements

Note 16: PAYCHECK PROTECTION PROGRAM (Continued)

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

The Organization applied for forgiveness of its second loan for \$1,079,325 and recorded \$893,575 as PPP loan forgiveness revenue during fiscal year-end 2022, and \$185,750 as PPP loan forgiveness revenue during fiscal year-end 2021. During the fiscal year-end 2022, the Organization received notice that the full \$1,079,325 and related interest had been forgiven.

Note 17: EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization met the conditions to qualify for the tax credit under the CARES Act for the year ended June 30, 2021.

During the fiscal year ended June 30, 2021, the Organization filed amended payroll tax returns for the first two quarters of 2021 and recorded \$1,401,049 related to the CARES Employee Retention Credit in other income on the statements of activities and a corresponding receivable at June 30, 2021. As of June 30, 2022, the Organization received \$1,001,887 of the available tax credit, and \$399,162 of the available tax credit remained outstanding.

Note 18: CONTINGENCIES AND UNCERTAINTIES

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

Note 19: HURRICANE IDA

On August 29, 2021, Hurricane Ida made landfall on the Gulf Coast area causing widespread damage throughout the region, including the Greater New Orleans area. Program services in the

The Arc of Greater New Orleans Notes to the Financial Statements

Note 19: HURRICANE IDA (Continued)

statement of activities reflects \$53,352 in hurricane and related expenses net of insurance proceeds (costs incurred of \$196,867 net of insurance proceeds received of \$143,515) for the year ended June 30, 2022. The costs incurred to date through June 30, 2022 were not capital in nature and consisted primarily of disaster recovery cleanup, temporary repairs to two facilities which were contributed in-kind (see Note 11), and evacuation related expenses. The Organization also qualified for assistance through the Federal Emergency Management Association (FEMA) for certain costs that were not reimbursed by insurance. The Organization filed a claim with FEMA in fiscal 2022 and received \$27,532 in eligible reimbursements.



SUPPLEMENTARY INFORMATION



The Arc of Greater New Orleans
Schedule of Compensation, Benefits, and Other Payments to Agency Head

Agency Head Name: Stephen Sauer, Executive Director July 1, 2021 - December 14, 2021

<i>Purpose</i>	2022
Salary	\$ -
Benefits-health insurance	-
Benefits-retirement	-
Deferred compensation	-
Workers comp	-
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-FICA & Medicare	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings & conventions	-
Other	-
Total	\$ -

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

See independent auditors' report.

The Arc of Greater New Orleans
Schedule of Compensation, Benefits, and Other Payments to Agency Head

Agency Head Name: Sandee Williamson, Interim Executive Director (December 14, 2021 - June 30, 2022)

For the Year Ended June 30, 2022

<i>Purpose</i>	<i>Amount</i>
Salary	\$ -
Benefits-health insurance	-
Benefits-retirement	-
Deferred compensation	-
Workers comp	-
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-FICA & Medicare	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings & conventions	-
Other	-
Total	\$ -

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

See independent auditors' report.



Carr, Riggs & Ingram, LLC
111 Veterans Memorial Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 3, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as item 2022-01 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings as item 2022-02 to be a significant deficiency.

Report on Compliance and Other Matters

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

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization'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. Accordingly, this communication is not suitable for any other purpose.

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

January 3, 2023

**The Arc of Greater New Orleans
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

SECTION I - SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The Arc of Greater New Orleans (the Organization) (a nonprofit organization),
2. No instances of noncompliance material to the financial statements of the Organization were disclosed and identified during the audit.
3. No instances of noncompliance with laws, rules, and regulations that were disclosed and identified during the audit.

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2022-001

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting – Year End Reporting

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, material misstatements in the financial reporting of the Organization.

Condition

There were several instance where the audit adjustments proposed and accepted by management in the prior year financial statement audit were not properly recorded to the Organization's financial statement.

Cause of Condition

The Organization experienced turnover of key accounting and executive personnel responsible for financial reporting during the fiscal year-end close process. The Organization implemented interim executives and personnel until the Organization could find full time replacements. Although the Organization had replacement personnel in the interim, the formal year-end close procedures were not followed which made it challenging to effectively record year-end close adjustments.

Effect of Condition

The lack of proper controls over financial reporting resulted in approximately \$1,788,000 of current year audit adjustments to correct beginning net asset balances.

**The Arc of Greater New Orleans
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

Finding 2022-001 (Continued)

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting – Year End Reporting

Recommendation

Management should ensure audit adjustments are recorded in the trial balance on an annual basis.

View of Responsible Officials and Planned Corrective Actions

Management concurs with the auditors' finding and recommendation. Management will implement a formal year-end close that includes a retrospective review of audit adjustments.

Finding 2022-002

Repeat Finding: No

Finding Type: Significant Deficiency in Internal Controls Over Financial Reporting – Grants and Contributions of Nonfinancial Assets

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, material misstatements in the financial reporting of the Organization.

Condition

There was one instance of an adjustment that was needed to record grant revenues received for the purchase of property and equipment.

Cause of Condition

The Organization properly approved and monitored grant funding received for the purchase of property and equipment. However, the grant funding received for the purchase of property and equipment was not properly reconciled, which resulted in misstated activity related to grant funding and property and equipment.

Effect of Condition

The failure to implement the Organization's control over reconciling grants to supporting award letters resulted in approximately \$190,000 of audit adjustments to correct material misstatements.

**The Arc of Greater New Orleans
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

Finding 2022-002 (Continued)

Repeat Finding: No

Significant Deficiency in Internal Controls Over Financial Reporting – Grants and Contributions of Nonfinancial Assets

Recommendation

Management should review grant awards and contributions of nonfinancial assets and reconcile to the appropriate financial statement accounts to ensure grant funding and contributions of nonfinancial assets have been appropriately valued, classified and recorded in the trial balance on a monthly basis.

View of Responsible Officials and Planned Corrective Actions

Management concurs with the auditors' finding and recommendation. Management will implement controls that includes a review and reconciliation of significant grant awards and contributions of nonfinancial assets to their respective award letters.

SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

No findings noted.

**The Arc of Greater New Orleans
Schedule of Prior Findings and Responses
For the Year Ended June 30, 2022**

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

No findings noted.

SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

No findings noted.



The Arc of Greater New Orleans

STATEWIDE AGREED-UPON PROCEDURES REPORT

June 30, 2022



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of the Arc of Greater New Orleans (the Organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The Organization's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The required procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the Organization's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget

Results: No exceptions were found as a result of applying the procedure.

- b) *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.

Results: Exceptions noted. The Organization's written policies and procedures did not include procedures on (2) how vendors are added to the vendor list.

- c) *Disbursements*, including processing, reviewing, and approving

Results: No exceptions were found as a result of applying the procedure.

- d) *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).

Results: No exceptions were found as a result of applying the procedure.

- e) *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.

Results: No exceptions were found as a result of applying the procedure.

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Results: Exceptions noted. The Organization's written policies and procedures did not address (2) the standard terms and conditions applicable in contracts, (3) legal review of the contracts, and (5) the process to monitor compliance with the contracts.

- g) *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, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Results: No exceptions were found as a result of applying the procedure.

- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: No exceptions were found as a result of applying the procedure.

- i) *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.

Results: No exceptions were found as a result of applying the procedure.

- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Not applicable.

- k) *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.

Results: Exceptions noted. The Organization has identified personnel, processes and tools needed to recover operations after a critical event, but does not have any other written policies and procedures for Disaster Recovery/Business Continuity.

- l) *Sexual Harassment*, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Not applicable.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) *Observe that the board/finance committee 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.*

Results: No exceptions were found as a result of applying the procedure.

- b) *For those entities reporting on the nonprofit accounting model, observe that the minutes reference or include financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: No exceptions were found as a result of applying the procedure.

Bank Reconciliations

3. Obtain listing of the entities 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:

- a) *Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date;*

Results: No exceptions were found as a result of applying the procedure.

b) *Bank reconciliations included evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation; and*

Results: No exceptions were found as a result of applying the procedure.

c) *Management has documentation reflecting that it has researched reconciling items that had been outstanding for more than 12 months from the statement closing date, if applicable.*

Results: No exceptions were found as a result of applying the procedure.

Collections

4. 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).

Results: No exceptions were found as a result of applying the procedure.

5. 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:

a) *Employees responsible for cash collections do not share cash drawers/registers.*

Results: No exceptions were found as a result of applying the procedure.

b) *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.*

Results: No exceptions were found as a result of applying the procedure.

c) *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 posting to each other and to the deposit.*

Results: No exceptions were found as a result of applying the procedure.

d) *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.*

Results: No exceptions were found as a result of applying the procedure.

6. 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.

Results: No exceptions were found as a result of applying the procedure.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliation" 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). Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of applying the procedure.

b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were found as a result of applying the procedure.

c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were found as a result of applying the procedure.

d) 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).

Results: No exceptions were found as a result of applying the procedure.

e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedure.

Non-payroll Disbursements

8. 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).

Results: No exceptions were found as a result of applying the procedure.

9. 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), observe that job duties are properly segregated such that:

a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Results: No exceptions were found as a result of applying the procedure.

b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the procedure.

c) 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

Results: No exceptions were found as a result of applying the procedure.

d) 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 payment

Results: No exceptions were found as a result of applying the procedure.

10. For each location selected under #8 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:

a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

Results: No exceptions were found as a result of applying the procedure.

b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the procedure.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. 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.

Results: No exceptions were found as a result of applying the procedure.

12. 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:

a) *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.*

Results: No exceptions were found as a result of applying the procedure.

b) *Observe that finance charges and late fees were not assessed on the selected statements.*

Results: No exceptions were found as a result of applying the procedure.

13. Using the monthly statements or combined statement 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 purpose/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 has a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increase scrutiny.

Results: No exceptions were found as a result of applying the procedure.

Travel and Travel-Related Expense Reimbursements

14. 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:

a) *If reimbursed using per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Administration (www.gsa.gov).*

Results: No exceptions were found as a result of applying the procedure.

b) *If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.*

Results: No exceptions were found as a result of applying the procedure.

c) *Observe that 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).*

Results: No exceptions were found as a result of applying the procedure.

d) *Observe that each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.*

Results: No exceptions were found as a result of applying the procedure.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, material and supplies, lease, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Random select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

a) *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.*

Results: No exceptions were found as a result of applying the procedure.

b) *Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).*

Results: No exceptions were found as a result of applying the procedure.

c) *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).*

Results: No exceptions were found as a result of applying the procedure.

d) *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 condition of the contract.*

Results: No exceptions were found as a result of applying the procedure.

Payroll and Personnel

16. 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.

Results: No exceptions were found as a result of applying the procedure.

17. 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:

a) *Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory)*

Results: No exceptions were found as a result of applying the procedure.

b) *Observe whether supervisors approved the attendance and leave of the selected employees or officials*

Results: No exceptions were found as a result of applying the procedure.

c) *Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.*

Results: No exceptions were found as a result of applying the procedure.

d) *Observe the rate paid to the employees or official agree to the authorized salary/pay rate found within the personnel file.*

Results: No exceptions were found as a result of applying the procedure.

18. 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' authorized pay rates in the employee or official's personnel files, and agree the termination payment to entity policy.

Results: No exceptions were found as a result of applying the procedure.

19. 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.

Results: No exceptions were found as a result of applying the procedure.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

a) *Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.*

Results: Not applicable; entity is a non-profit.

b) *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.*

Results: Not applicable; entity is a non-profit.

Debt Service

21. Obtain a listing of bonds/notes and other debt instrument 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.

Results: Not applicable.

22. 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).

Results: Not applicable.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representations 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 and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions were found as a result of applying the procedure.

24. Observed that the Organization 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.

Results: No exceptions were found as a result of applying the procedure.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”

- a) *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.*

Results: We performed the procedure and discussed the results with management.

- b) *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.*

Results: We performed the procedure and discussed the results with management.

- c) *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.*

Results: We performed the procedure and discussed the results with management.

Sexual Harassment

26. 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.

Results: Not applicable.

27. 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).

Results: Not applicable.

28. 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:

a) *Number and percentage of public servants in the agency who have completed the training requirements;*

Results: Not applicable.

Number of sexual harassment complaints received by the agency;

Results: Not applicable.

b) *Number of complaints which resulted in a finding that sexual harassment occurred;*

Results: Not applicable.

c) *Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and*

Results: Not applicable.

d) *Amount of time it took to resolve each complaint.*

Results: Not applicable.

We were not engaged to perform, and did not perform, an examination or review, 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.

The purpose of this report is solely to describe the scope of procedures performed on the C/C areas identified in the SAUPs, and the results of those procedures performed, 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 Legislative Auditor as a public document.

Carr, Rigg & Ingram, L.L.C.

January 3, 2023



January 3, 2023

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

**RE: Management's Response to Statewide Agreed-Upon Procedures
The Arc of Greater New Orleans**

Dear Sirs:

The Arc of Greater New Orleans has reviewed the policies and procedures in regard to the comments for the purchasing and contracting functions and made the appropriate changes to our policies and procedures manual effective November 23, 2022. We will also review all policies and procedures for the information technology disaster recovery/business continuity function and determine which additional policies and procedures should be adopted.

Sincerely,



Dr. Mary Ann Ross
Executive Director