

The Arc of Greater New Orleans

Financial Statements
and Independent Auditor's Report
Year Ended June 30, 2024

The Arc of Greater New Orleans

Financial Statements and Independent Auditor's Report Year Ended June 30, 2024

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**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70360

*Certified Public Accountants
(A Professional Corporation)*

Ph. (985) 851-3638
Fax (985) 851-3951

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of The Arc of Greater New Orleans (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of The Arc of Greater New Orleans as of June 30, 2024, 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 Qualified Opinion

The Arc of Greater New Orleans operates a storefront through which donated merchandise is sold. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the inventory as of June 30, 2024, and the value of donated merchandise to be recognized as contributions for the year ended June 30, 2024. We were not able to observe the counting of physical inventories or satisfy ourselves by other auditing procedures as the Organization does not recognize contributions or inventory for the donated merchandise, and, therefore, does not maintain supporting records. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 The Arc of Greater New Orleans 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 qualified audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2023, were audited by predecessor auditors whose report dated December 31, 2023, expressed an unmodified opinion on those financial statements.

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 Arc of Greater New Orleans's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 Arc of Greater New Orleans'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 Arc of Greater New Orleans's ability to continue as a going concern for a reasonable period of time.

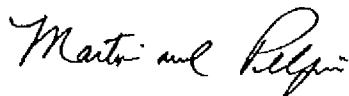
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to the Agency Head on page 20 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 27, 2024 on our consideration of The Arc of Greater New Orleans'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 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 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.



Houma, Louisiana
December 27, 2024

FINANCIAL STATEMENTS

The Arc of Greater New Orleans

Statements of Financial Position June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,917,586	\$2,030,565
Accounts receivable, net	605,197	1,429,972
Prepaid expenses	142,413	189,713
Restricted trust fund	30,029	33,341
Land and building held for sale	<u>-</u>	<u>294,129</u>
Total current assets	2,695,225	3,977,720
Property and equipment, net	1,906,168	1,346,826
Other assets:		
Deposits	<u>2,565</u>	<u>3,445</u>
TOTAL ASSETS	<u><u>\$4,603,958</u></u>	<u><u>\$5,327,991</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 43,182	\$ 189,870
Accrued payroll and related liabilities	296,099	912,977
Accrued expense	2,434	-
Insurance note payable	41,094	-
Other current liabilities	1,500	-
Note payable	<u>-</u>	<u>250,478</u>
TOTAL LIABILITIES	<u>384,309</u>	<u>1,353,325</u>
Net assets:		
Without donor restrictions	4,191,189	3,932,166
With donor restrictions	<u>28,460</u>	<u>42,500</u>
TOTAL NET ASSETS	<u>4,219,649</u>	<u>3,974,666</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$4,603,958</u></u>	<u><u>\$5,327,991</u></u>

See accompanying notes.

The Arc of Greater New Orleans

Statements of Activities Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Louisiana DOTD grant income	\$ 600,886	\$ -	\$ 600,886	\$ -	\$ -	\$ -
Contributions	57,930	83,600	141,530	59,398	87,500	146,898
In-kind contributions	993,692	-	993,692	115,844	-	115,844
United Way allocations	1,429	-	1,429	42,742	-	42,742
Product sales and services	748,017	-	748,017	873,798	-	873,798
Medicaid	6,026,747	-	6,026,747	6,153,696	-	6,153,696
Group home	96,530	-	96,530	82,215	-	82,215
Contract income	522,681	-	522,681	567,860	-	567,860
American Rescue Plan Act income	-	-	-	682,800	-	682,800
Employee retention tax credit income	-	-	-	340,481	-	340,481
Insurance proceeds	59,000	-	59,000	221,194	-	221,194
Investment income	48,504	-	48,504	-	-	-
Gain on sale of assets	146,696	-	146,696	7,064	-	7,064
Other income	45,724	-	45,724	11,207	-	11,207
Net assets released from restrictions	97,640	(97,640)	-	88,500	(88,500)	-
TOTAL REVENUES AND OTHER SUPPORT	9,445,476	(14,040)	9,431,436	9,246,799	(1,000)	9,245,799
FUNCTIONAL EXPENSES						
Program services						
Employment services	236,421	-	236,421	152,927	-	152,927
Community integration	1,547,893	-	1,547,893	1,290,642	-	1,290,642
Residential support and services	3,381,457	-	3,381,457	3,996,888	-	3,996,888
Arc enterprises	2,157,594	-	2,157,594	1,747,609	-	1,747,609
Family services coordination	404,267	-	404,267	312,018	-	312,018
Total program services	7,727,632	-	7,727,632	7,500,084	-	7,500,084
Management and general	1,458,821	-	1,458,821	1,452,599	-	1,452,599
TOTAL FUNCTIONAL EXPENSES	9,186,453	-	9,186,453	8,952,683	-	8,952,683
INCREASE/(DECREASE) IN NET ASSETS	259,023	(14,040)	244,983	294,116	(1,000)	293,116
NET ASSETS, BEGINNING OF PERIOD	3,932,166	42,500	3,974,666	3,638,050	43,500	3,681,550
NET ASSETS, END OF PERIOD	\$ 4,191,189	\$ 28,460	\$ 4,219,649	\$ 3,932,166	\$ 42,500	\$ 3,974,666

See accompanying notes.

The Arc of Greater New Orleans

Statement of Functional Expenses Year Ended June 30, 2024

	PROGRAM SERVICES						Management and General	Total
	Employment services	Community integration	Residential support and services	Arc enterprises	Family services coordination	Total Program Services		
Salaries	\$ 165,221	\$ 657,409	\$ 2,709,537	\$ 893,537	\$ 292,293	\$ 4,717,997	\$ 595,643	\$ 5,313,640
Benefits	6,892	20,118	98,711	48,885	11,891	186,497	49,699	236,196
Payroll taxes	12,429	55,398	202,492	71,640	22,397	364,356	46,724	411,080
Workers' compensation insurance	3,656	14,553	71,354	27,051	6,728	123,342	9,286	132,628
Professional fees	4,327	30,315	112,487	50,225	8,750	206,104	34,418	240,522
Supplies	222	3,990	4,842	1,505	2,587	13,146	23,820	36,966
Advertising	70	226	1,525	10,868	109	12,798	36,950	49,748
Telephone	1,499	10,789	7,550	7,588	4,232	31,658	6,829	38,487
Postage	-	10	26	27	25	88	2,454	2,542
Occupancy	34,878	410,599	110,417	604,761	46,891	1,207,546	163,045	1,370,591
Repairs and maintenance	2,930	35,683	4,556	85,868	3,135	132,172	14,016	146,188
Automobile	393	189,784	11,777	175,419	1,109	378,483	314	378,796
Conferences and training	2,951	9,025	27,502	6,055	1,711	47,244	30,346	77,590
Printing and publications	89	105	325	2,248	30	2,797	2,271	5,068
Other	209	3,760	636	57,526	995	63,126	35,306	98,432
Dues and subscriptions	655	2,434	17,715	3,797	1,271	25,872	7,055	32,927
Interest	-	908	-	-	-	908	-	908
Bad debt	-	-	5	200	113	318	-	318
Depreciation	-	102,787	-	110,394	-	213,181	57,265	270,446
Operating - MHSD	-	-	-	-	-	-	343,380	343,380
Total	<u>\$ 236,421</u>	<u>\$ 1,547,893</u>	<u>\$ 3,381,457</u>	<u>\$ 2,157,594</u>	<u>\$ 404,267</u>	<u>\$ 7,727,632</u>	<u>\$ 1,458,821</u>	<u>\$ 9,186,453</u>

See accompanying notes.

The Arc of Greater New Orleans

Statement of Functional Expenses Year Ended June 30, 2023

	PROGRAM SERVICES						Management and General	Total
	Employment services	Community integration	Residential support and services	Arc enterprises	Family services coordination	Total Program Services		
Salaries	\$ 107,233	\$ 614,060	\$ 3,303,890	\$ 922,557	\$ 225,949	\$ 5,173,689	\$ 671,005	\$ 5,844,694
Benefits	3,204	40,020	90,170	41,167	11,243	185,804	47,855	233,659
Payroll taxes	8,268	45,884	257,458	71,368	17,458	400,436	51,234	451,670
Workers' compensation insurance	928	6,104	29,244	21,181	3,024	60,481	(3,142)	57,339
Professional fees	4,986	29,047	114,163	39,592	13,283	201,071	177,491	378,562
Supplies	420	8,130	2,575	1,207	1,481	13,813	22,836	36,649
Advertising	483	2,285	12,984	14,144	930	30,826	4,854	35,680
Telephone	1,153	9,189	8,633	5,931	3,876	28,782	5,898	34,680
Postage	-	-	-	244	9	253	3,013	3,266
Occupancy	8,674	143,550	84,153	136,393	16,470	389,240	38,952	428,192
Repairs and maintenance	4,131	77,472	5,498	145,569	6,374	239,044	25,150	264,194
Automobile	738	214,987	15,981	166,261	623	398,590	758	399,348
Conferences and training	1,259	7,784	37,368	8,123	2,631	57,165	25,581	82,746
Printing and publications	4	19	109	526	8	666	613	1,279
Other	2,635	6,380	7,392	75,494	851	92,752	38,614	131,366
Dues and subscriptions	494	2,361	13,316	2,826	956	19,953	8,619	28,572
Interest	-	12,284	-	132	-	12,416	-	12,416
Bad debt	7,500	377	13,954	7,300	6,852	35,983	-	35,983
Depreciation	817	70,709	-	87,594	-	159,120	31,686	190,806
Operating - MHSD	-	-	-	-	-	-	301,582	301,582
Total	<u>\$ 152,927</u>	<u>\$ 1,290,642</u>	<u>\$ 3,996,888</u>	<u>\$ 1,747,609</u>	<u>\$ 312,018</u>	<u>\$ 7,500,084</u>	<u>\$ 1,452,599</u>	<u>\$ 8,952,683</u>

See accompanying notes.

The Arc of Greater New Orleans

Statements of Cash Flows Year Ended June 30, 2024

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 244,983	293,116
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	270,446	190,806
Gain on sale of assets	(146,696)	(7,064)
Bad debt expense	-	35,983
In-kind donation of property and equipment	-	(40,000)
(Increase)/decrease in operating assets:		
Accounts receivable	824,775	(894,415)
Employee retention tax credit receivable	-	399,162
Prepaid expenses	47,300	(87,483)
Trust fund	3,312	4,472
Deposits	880	-
Increase/(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(144,254)	46,710
Accrued payroll and related liabilities	(616,878)	479,880
Insurance payable	41,094	-
Other liability	1,500	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>526,462</u>	<u>421,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(829,788)	(323,762)
Proceeds from sale of assets	440,825	7,064
NET CASH USED IN INVESTING ACTIVITIES	<u>(388,963)</u>	<u>(316,698)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Principal payments on note payable	(250,478)	(42,341)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(112,979)	62,128
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,030,565</u>	<u>1,968,437</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 1,917,586</u></u>	<u><u>\$ 2,030,565</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 908</u>	<u>\$ 12,416</u>
Leasehold improvements recorded as in-kind contribution	<u>\$ -</u>	<u>\$ 40,000</u>

See accompanying notes.

The Arc of Greater New Orleans

Notes to Financial Statements

Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. History and Nature of the 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. 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. Major programs, which are primarily funded by Medicaid and governmental grants, offered by the Organization include:

Employment Services – Provides individualized skill assessment and job placement in the community for participants with intellectual disabilities or developmental delays (IDD).

Community Integration – Provides day facilities for adults with IDD with engaging activities and trained supervision.

Residential Support and Services – Support services for individuals with IDD to provide 24-hour assistance with daily living skills, whether through respite care or independent living.

Arc Enterprises – Business operations including groundskeeping, janitorial, and the Mardi Gras Recycle center which employs those with IDD to provide wage-earning jobs.

Family Services Coordination – Aids families with identifying and coordinating services for children with medical conditions or IDD.

The following are the significant accounting policies of The Arc of Greater New Orleans:

- B. Basis of Presentation – The financial statements are prepared on the accrual basis in accordance with U. S. generally accepted accounting principles.
- C. Cash, Cash Equivalents, and Restricted Cash – For the purpose of the statement of cash flows, The Arc of Greater New Orleans considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition. The Organization maintains an investment in money market mutual funds which is included in cash equivalents within the Statement of Financial Position.
- D. Accounts Receivable – Accounts receivable consist primarily of noninterest-bearing amounts due from Medicaid reimbursements, grant agreements, and insurance proceeds. The Organization determines the allowance for uncollectible accounts

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. At June 30, 2024 and 2023, management determined that no allowance was required. Accounts receivables are written off when deemed uncollectable. While accounting principles generally accepted in the United States of America require that bad debts be recorded utilizing the allowance method, the difference between the two methods is immaterial to the Organization, as management considers all receivables to be fully collectible. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

- E. Property and Equipment – Property and equipment of the Organization, excluding donated property and equipment, are valued at cost. All donated property and equipment are recorded at estimated fair market value on the date of the donation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2024 and 2023 was \$270,466 and \$190,806, respectively. Property and equipment acquisitions are capitalized if the purchase exceeds \$1,000 and the asset has a useful life of greater than one year.

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the Statements of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

- F. Net Assets – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of The Arc of Greater New Orleans and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of The Arc of Greater New Orleans and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

The Arc of Greater New Orleans

Notes to Financial Statements
Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- G. Revenue and 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. 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 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 nonexchange 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.

- H. Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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 facilities are allocated across functional areas based on a fixed percentage.
- I. Donated Services and In-kind Contributions – Contributed nonfinancial assets include donated supplies, bead inventory, professional services, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition

The Arc of Greater New Orleans

Notes to Financial Statements
Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

criteria prescribed by generally accepted accounting principles.

- J. Compensated absences – Employees are eligible to receive annual paid leave upon completion of an introductory period depending on employee classification. Annual leave vests with the employee and has been accrued according to leave earned. As of June 30, 2024 and 2023, the Organization has recorded a liability for unpaid compensated absences of \$78,285 and \$80,657.
- K. Advertising – Advertising costs are expensed as incurred. Advertising expense totaled \$49,748 and \$35,680 for the year ended June 30, 2024 and 2023, respectively.
- L. Income Taxes – The Arc of Greater New Orleans is a not-for-profit, voluntary health and welfare agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.
- M. Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- N. Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

NOTE 2 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments include cash and cash equivalents, receivables, investments, line of credit, and accounts payable. Management estimates that the fair value of all financial instruments as of June 30, 2024, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization's investment uses Level 1 inputs to measure fair value. Level 1 inputs consist of quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

The Organization's investment consists of federal money market mutual funds, which

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

NOTE 2 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont.)

are valued at the daily closing price as reported by the fund. These funds are required to publish the daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded. These funds are included in cash and cash equivalents in the Statement of Financial Position.

The following table shows the carrying value and estimated fair value of the investment at June 30:

	2024	
	<u>Carrying value</u>	<u>Estimated fair value</u>
Federal money market mutual funds	<u>\$ 1,045,164</u>	<u>\$ 1,045,164</u>
	2023	
	<u>Carrying value</u>	<u>Estimated fair value</u>
Federal money market mutual funds	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 – UNCERTAIN INCOME TAXES

The Organization's 2022 tax return was filed appropriately. As of December 2024, the Organization had not filed its 2023 tax return as the filing due date had been extended to May 15, 2025. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's open audit period is 2020 to 2023. Management has evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance.

NOTE 4 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of receivables due from federal, state, and local governments. The Organization considers the risk to be limited and requires no collateral for these amounts.

The Arc of Greater New Orleans maintains cash with a financial institution located in Louisiana. The Federal Deposit Insurance Corporation (FDIC) insures the balances up to \$250,000. The Organization maintains 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 independently. At times, bank balances may exceed the \$250,000 insurance limits. Management does not believe the Organization has significant risks as related to bank deposits.

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

NOTE 4 – CONCENTRATION OF CREDIT RISK (Cont.)

The Arc of Greater New Orleans invested cash in an account with a brokerage company. Balances within the account are insured up to \$250,000 in cash and \$500,000 in securities by the Securities Investor Protection Corporation. All funds held within the brokerage account are invested in short-term federal money market funds. At times, balances exceed the insurable limits. Management does not believe the Organization has significant risks related to cash invested.

NOTE 5 – PAYMENTS TO RELATED PARTIES

During the years ended June 30, 2024, and 2023, the Organization incurred expenses totaling \$0 and \$44,613, respectively for Hurricane Ida related repairs and expenses to a business which is owned by a former board member. The expenses are included in other expenses on the statements of functional expenses.

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment follows:

	<u>Depreciable Lives</u>	<u>June 30, 2023</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>June 30, 2024</u>
Leasehold improvements	5 - 31 years	\$ 1,827,853	\$ 115,771	\$ -	\$ 1,943,624
Furniture and equipment	3 - 10 years	351,487	15,966	-	367,453
Vehicles	5 years	1,460,803	698,051	(78,594)	2,080,260
		3,640,143	829,788	(78,594)	4,391,337
Accumulated depreciation		(2,293,317)	(270,446)	78,594	(2,485,169)
Net property and equipment		<u>\$ 1,346,826</u>	<u>\$ 559,342</u>	<u>\$ -</u>	<u>\$ 1,906,168</u>

At June 30, 2023, the Organization held a building for sale of \$294,129, net of accumulated depreciation, in Covington Louisiana. In July 2023, the Organization sold the building for proceeds of \$462,500, which were used to repay corresponding notes payable. The Organization realized a gain on sale of the building of \$140,044 after various settlement charges.

NOTE 7 – LINE OF CREDIT

The Organization has a line of credit available totaling \$350,000 that matures August 22, 2024, at which all outstanding principal and accrued unpaid interest is due. Any unpaid principal balance bears interest at a prime rate less 2%. The prime rate is determined by the lender and adjusted daily but cannot be less than 8.5% at any given time. Interest payments are due monthly. As of June 30, 2024 and 2023, the

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

NOTE 7 – LINE OF CREDIT (Cont.)

Organization did not have an outstanding balance on the line of credit. Subsequent to year-end and through the report date, the Organization has not drawn on the line of credit.

NOTE 8 – NOTE PAYABLE

The Organization's note payable at June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
Note payable to a bank dated February 14, 2014, with an interest rate of 4.95%, secured by real property, due on demand. If no demand is made, the note is due February 14, 2034. Monthly principal and interest payments are \$2,487.	<u>\$ -</u>	<u>\$ 250,478</u>

Interest expense on notes payable for the years ended June 30, 2024 and 2023 was \$908 and \$12,284. In July 2023, the outstanding balance of the note payables was paid in full.

NOTE 9 – RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Program activities	\$ 28,460	\$ 8,500
Community center renovations	-	34,000
Total net assets with donor restrictions	<u>\$ 28,460</u>	<u>\$ 42,500</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Program activities	\$ 3,540	\$ 5,500
Capital asset purchases	9,600	-
Community center renovations	84,500	83,000
Total net assets released from donor restrictions	<u>\$ 97,640</u>	<u>\$ 88,500</u>

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

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, 2024, and 2023, the Organization earned 72% and 67%, respectively, of its support and revenues from Medicaid reimbursement arrangements. The Organization received a fixed rate per encounter for its Medicaid program. Accounts receivable included \$489,492 and \$392,313 from Medicaid reimbursement sources at June 30, 2024, and 2023, respectively. As of June 30, 2024, and 2023, Medicaid receivables account for 81% and 27% of total accounts receivable, respectively.

Contract balances consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Receivables from contracts, beginning of year	\$ 1,283,320	\$ 571,539
Receivables from contracts, end of year	\$ 605,197	\$ 1,283,320
Contract liabilities, beginning of year	\$ -	\$ -
Contract liabilities, end of year	\$ -	\$ -

NOTE 11 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

The following is a summary of in-kind contributions recognized for years ended June 30:

	<u>2024</u>	<u>2023</u>
Rent	\$ 993,692	\$ 62,394
Professional services and advertising expense	-	13,450
Construction services	-	40,000
Total	<u>\$ 993,692</u>	<u>\$ 115,844</u>

During the year ended June 30, 2024, management updated the lease prices used to determine the fair value of in-kind rentals.

NOTE 12 – LEASES

During 2024 and 2023, the Organization leased facilities at five locations from unrelated parties, of which the consideration for four of the leases has been contributed free use. In valuing the contributed use of the buildings, which are located in the 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. Terms of the leases are as follows:

The Organization leases an office building and warehouse in Metairie from the State of Louisiana which functions as the primary office and retail space for the Mardi Gras

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

NOTE 12 – LEASES (Cont.)

Recycle Center. The lease is a triple net lease which renews on a year-to-year basis. Consideration for the lease is mutual benefits, advantages, and conveniences to be derived by the public in the operation of the Organization and its programs.

The Organization leases a building in Westwego from the City of Westwego which functions as a local community center. The lease is a triple net lease which renewed on February 5, 2024 and ends on September 30, 2026. Consideration for the lease is mutual benefits, advantages, and conveniences to be derived by the public in the operation of the Organization and its programs.

The Organization leases a building in New Orleans from the City of New Orleans which functions as a local community center. The lease is a triple net lease which commenced on October 13, 2015 and ends on October 13, 2035. The Organization may request two separate ten-year extensions under the original agreement. Consideration for the lease is mutual benefits, advantages, and conveniences to be derived by the public in the operation of the Organization and its programs.

The Organization leases a building in Chalmette from the Roman Catholic Church of the Archdiocese of New Orleans which functions as a local community center and is available for event rental. The lease is a triple net lease which commenced on December 20, 2010 and ends on December 19, 2030. The Organization may request two separate five-year extensions under the original agreement. Consideration for the lease is mutual benefits, advantages, and conveniences to be derived by the public in the operation of the Organization and its programs.

The Organization leases a building in Mandeville from an unrelated party which functions as a local community center. The lease is a triple net lease which commenced on May 1, 2023 and ends on April 30, 2025 with monthly payments of \$2,000.

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a defined contribution plan (the Plan) covering eligible employees depending on employee classification. The Organization may make a discretionary match. As of June 30, 2024, the Organization matches 50% of participants' contributions to the Plan up to 6% of the individual participant's eligible wages each pay period. The plan provides for partial vesting after one year and full vesting after two years of service. Total employer contribution expense for the years ended June 30, 2024, and 2023 was \$24,173 and \$27,910, respectively, and is included in benefits expense on the statements of functional expenses.

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2024, reduced by any amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations:

Current assets	\$ 2,695,225
Less those unavailable for general expenditures within one year:	
Prepaid expenses	(142,413)
Net assets with donor restrictions	(28,460)
Restricted trust fund	<u>(30,029)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,494,323</u>

NOTE 15 – 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. Management is not aware of any actions that will significantly affect the amount of revenue the Organization will receive in fiscal year 2025 relating to its Medicaid reimbursement rates and federal and state grant awards.

NOTE 16 – CONTINGENCIES AND LIABILITIES

In June 2024, the Organization was made aware of a charge under the Equal Employment Opportunity Commission (EEOC) by a former employee. The charge alleged discrimination by a supervisor employed by the Organization. Management believes that the claimant does not have a strong case and intends to defend themselves vigorously against the claim. Although the Organization is able to estimate potential exposure, management has not recorded a contingent liability as the proceedings are under investigation at the date of the report and believes the matter will likely be resolved through settlement. Additionally, the matter is fully covered by insurance, of which the Organization is responsible for the first \$10,000.

The Arc of Greater New Orleans

Notes to Financial Statements Year Ended June 30, 2024

NOTE 17 – MARDI GRAS RETAIL STORE

The Organization operates a retail store for which the merchandise sold consists entirely of donated goods, primarily Mardi Gras beads. It is management's position that the goods donated have no value to the Organization in their initial condition, as the items require significant resources to clean, sort, and package for sale. Management has determined that the value to be ascribed to donated goods is immeasurable, and as such, inventory has not been recognized on the Statement of Financial Position as of June 30, 2024 and 2023.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 27, 2024, which is the date the financial statements were available to be issued. No events occurring after this date have been evaluated for inclusion in these financial statements. It was determined that the following event occurred that requires disclosure. The Organization renewed the line of credit on August 1, 2024. The maturity date was extended to August 22, 2025, and all other terms remained the same.

SUPPLEMENTARY INFORMATION

The Arc of Greater New Orleans

**Schedule of Compensation, Benefits, and
Other Payments to the Agency Head
Year Ended June 30, 2024**

Agency Head Name: Heather Matthews, Executive Officer

Purpose	Amount
Salary	\$ -
Benefits - insurance	-
Travel	-
Reimbursements	-
Benefits - retirement	-
Membership fees	-
Special meals	-
Benefits - other	-
Cell phone	-
Conference travel	-
Registration fees	-
Per diem	-
Dues	-
Unvouchered expenses	-
Deferred compensation	-
Car allowance/automobile expense	-
Service fees	-
Vehicle provided by government	-
Housing	-

Note: There were no payments made, from state or local funds, to or on behalf of the Agency Head for the year ended June 30, 2024.

This form satisfies the reporting requirements of R.S. 24:513(A)(3).

See independent auditor's report.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70360

*Certified Public Accountants
(A Professional Corporation)*

Ph. (985) 851-3638
Fax (985) 851-3951

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

To the Board of Directors
The Arc of Greater New Orleans
New Orleans, 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), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 27, 2024.

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 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.

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 Organization'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 weaknesses or significant deficiencies. Given these limitations, during

our audit, we identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-001, that we consider to be material weaknesses.

Report on Compliance and Other Matters

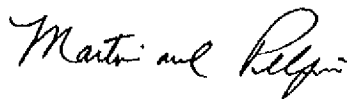
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Auditee's Response to Finding

The Arc of Greater New Orleans' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Such 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.



Houma, Louisiana
December 27, 2024

OTHER INFORMATION

The Arc of Greater New Orleans

Schedule of Findings and Responses Year Ended June 30, 2024

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of The Arc of Greater New Orleans.
2. Material weaknesses in internal control were noted during the audit of the financial statements.
3. No instances of noncompliance required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No instances of noncompliance under the provisions of the *Louisiana Governmental Audit Guide* were noted during the audit of the financial statements.
5. A management letter was not issued.

Findings – Financial Statement Audit

None noted.

Findings – Internal Control

2024-001 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 was a material audit adjustment for the year ended June 30, 2024, which was proposed and accepted by management. There were additional audit adjustments, which in aggregate, were determined to be material. The financial statement line items impacted included prepaid expenses, property and equipment net of accumulated depreciation, depreciation expense, gain on sale of assets, professional fees expense, insurance note payable, and in-kind contributions.

Cause: During the year ended June 30, 2024, the Organization had several undetected accounting errors. The Organization experienced turnover in key accounting and other management personnel which would normally mitigate such errors through review and formal monthly accounting procedures.

Effect: The lack of proper controls over financial reporting resulted in several audit adjustments to correct the financial statements at June 30, 2024.

The Arc of Greater New Orleans

Schedule of Findings and Responses Year Ended June 30, 2024

Recommendation: The Organization should ensure general ledger accounts are reconciled at June 30 and all adjusting journal entries are posted to the general ledger.

Management response: The Arc of Greater New Orleans will establish and maintain effective controls. Specifically, the Organization will ensure general ledger accounts are reconciled on June 30 and all adjusting journal entries are posted to the general ledger; and the Organization will ensure audit adjustments are recorded in the trial balance on an annual basis.

Findings and Questioned Costs – Major Federal Award Program Audit

Not applicable.

REPORTS BY MANAGEMENT

The Arc of Greater New Orleans

Schedule of Prior Findings and Resolution Matters Year Ended June 30, 2024

Note: All prior findings relate to the June 30, 2023 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

2023-01 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: Several material audit adjustments for the year ended June 30, 2023, were proposed and accepted by management. The financial statement line items impacted included accounts receivable, prepaid expenses, accounts payable, salaries payable, Medicaid revenue, and salary expenses.

Cause: During the year ended June 30, 2023, the Organization experienced turnover of key accounting and executive personnel responsible for financial reporting. Although the Organization had personnel in the key accounting and executive personnel roles, some of the formal year-end close procedures were not performed which made it challenging to effectively record year-end adjustments.

Effect: The lack of proper controls over financial reporting resulted in several material audit adjustments to correct the financial statements at June 30, 2023.

Recommendation: The Organization should ensure general ledger accounts are reconciled at June 30, and all adjusting journal entries are posted to the general ledger.

Management response: The Arc of Greater New Orleans will establish and maintain effective controls. Specifically, the Organization will ensure general ledger accounts are reconciled on June 30 and all adjusting journal entries are posted to the general ledger; and the Organization will ensure audit adjustments are recorded in the trial balance on an annual basis.

Current Status: Ongoing – See 2024-001 – Key accounting and executive personnel were recruited and hired prior to June 30, 2024, however their effectiveness was limited due to turnover in various management positions which required allocation of responsibilities and strain on available resources.

The Arc of Greater New Orleans

Schedule of Prior Findings and Resolution Matters
Year Ended June 30, 2024

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

The Arc of Greater New Orleans

Management's Corrective Action Plan for Current Year Findings
Year Ended June 30, 2024

The contact person for all corrective actions noted below is Mrs. Heather Matthews, Executive Director.

Section I – Internal Control and Compliance Material to the Financial Statements

Inadequate Internal Control

Condition: There was a material audit adjustment for the year ended June 30, 2024, which was proposed and accepted by management. There were additional audit adjustments, which in aggregate, were determined to be material.

Recommendation: The Organization should ensure general ledger accounts are reconciled at June 30 and all adjusting journal entries are posted to the general ledger

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the Organization to ensure the finance and accounting function is adequately able to complete its responsibilities. Specifically, the Organization will ensure general ledger accounts are reconciled on June 30 and all adjusting journal entries are posted to the general ledger; and the Organization will ensure audit adjustments are recorded in the trial balance on an annual basis.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

STATEWIDE AGREED-UPON PROCEDURES

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

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, 2023 through June 30, 2024. The Organization's management is responsible for those C/C areas identified in the SAUPs.

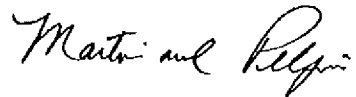
The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2023 through June 30, 2024. Additionally, LLA 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 described on pages 30-43.

We were engaged by the Organization 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 Organization 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.

A handwritten signature in black ink, appearing to read "Martin and Pelgri". The script is cursive and fluid.

Houma, Louisiana
December 27, 2024

The ARC of Greater New Orleans

Metairie, Louisiana

Schedule of Procedures and Associated Findings of the

Statewide Agreed-Upon Procedures

Year Ended June 30, 2024

The required procedures and our findings 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 noted as a result of this 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: Exception noted. The policy does not include how vendors are added to the vendor list.

Management's Response: The Organization will consider language to add to the Accounting Policies and Procedures manual related to vendor management.

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

Results: No exceptions were noted as a result of this 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.

Results: No exceptions were noted as a result of this 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 rates of pay or approval and maintenance of pay rate schedules

Results: No exceptions were noted as a result of this 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.

The ARC of Greater New Orleans

Metairie, Louisiana

Schedule of Procedures and Associated Findings of the

Statewide Agreed-Upon Procedures

Year Ended June 30, 2024

Results: Exceptions noted. The policy does not include any references to services requiring written contracts, standard terms and conditions, or legal review.

Management's Response: The Organization will consider language to add to the Accounting Policies and Procedures manual related to contracting.

- g) 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 noted as a result of this procedure.

- h) Credit Cards (and debit cards, fuel cards, purchase 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.

Results: No exceptions were noted as a result of this 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: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

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

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

- 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: No exceptions were noted as a result of this procedure.

The ARC of Greater New Orleans

Metairie, Louisiana

Schedule of Procedures and Associated Findings of the

Statewide Agreed-Upon Procedures

Year Ended June 30, 2024

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

Results: The provisions of R.S. 42:342-344 do not apply to not-for-profit entities. This procedure is not applicable to The Arc of Greater New Orleans.

Board or Finance Committee

- 2. 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:

- 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 noted as a result of this procedure.

- b) 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.

Results: No exceptions were noted as a result of this procedure.

- c) 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.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

- d) 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.

Results: Exception noted. We did not observe any documentation of the board receiving written updates of the progress of resolving audit findings. Management's Response: The Organization will add written updates of resolving audit findings to the board minutes moving forward.

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Bank Reconciliations

3. 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 four additional accounts (or all accounts if less than five). 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 two months of the related statement closing date;

Results: No exceptions were noted as a result of this procedure.

- b) Bank reconciliations include written 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 within one month of the date the reconciliation was prepared; and

Results: Exceptions noted. We observed that the member of management who reviewed four of the five bank reconciliations selected for testing handles cash and issues checks. Additionally, the fifth bank reconciliation selected for testing did not have any written evidence of review.

Management's Response: The Organization will consider measures to ensure segregation of duties when reviewing bank reconciliations and ensuring all reconciliations are reviewed in a timely manner.

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

Results: No exceptions were noted as a result of this procedure.

Collections (excluding electronic funds transfers)

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 five deposit sites (or all deposit sites if less than five).

Results: No exceptions were noted as a result of this procedure.

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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, obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated 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: Exception noted. Employees responsible for cash collections share a cash register.

Management's Response: The Organization will consider measures to ensure proper internal controls are regulating cash collections.

- 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 to the deposit.

Results: No exceptions were noted as a result of this procedure.

- c) Each employee responsible for collecting cash is not also 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.

Results: No exceptions were noted as a result of this procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or custodial fund additions, is (are) not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Results: No exceptions were noted as a result of this procedure.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

Results: No exceptions were noted as a result of this procedure.

7. Randomly select two deposit dates for each of the bank accounts selected for procedure #3 under "Bank Reconciliations" above. Obtain supporting documentation for each of the ten deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location.

Results: Exception noted. We observed that two of the deposits selected for testing were not made within one business day of receipt at the collection location.

Management's Response: The Organization will consider measures to ensure proper internal controls are regulating cash deposits.

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

Results: No exceptions were noted as a result of this procedure.

Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

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

Results: No exceptions were noted as a result of this 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, and 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 or making the purchase.

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

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- 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 noted as a result of this 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 payments.

Results: No exceptions were noted as a result of this procedure.

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Results: No exceptions were noted as a result of this 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 five disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity.

Results: No exceptions were noted as a result of this 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 noted as a result of this procedure.

- 11. Using the entity's main operating account and the month selected in "Bank Reconciliations" procedure #3, randomly select five non-payroll-related electronic disbursements (or all electronic disbursements if less than five) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds per the entity's policy and (b) approved by the required number of authorized signers per the entity's policy.

Results: No exceptions were noted as a result of this procedure.

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Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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 noted as a result of this procedure.

13. Using the listing prepared by management, randomly select five cards 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 were reviewed and approved, in writing, by someone other than the authorized card holder.

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

14. Using the monthly statements or combined statements selected under procedure #13 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. For each transaction, observe that 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.

Results: No exceptions were noted as a result of this procedure.

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

15. 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 five reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

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- a) If reimbursed using a per diem, observe that 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).

Results: No exceptions were noted as a result of this 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 noted as a result of this 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 Policies and Procedures" procedure #1g.

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

Contracts

16. 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. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law, if required by law.

Results: No exceptions were noted as a result of this procedure.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law.

Results: No exceptions were noted as a result of this procedure.

- c) If the contract was amended, observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms.

Results: No exceptions were noted as a result of this procedure.

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- d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were noted as a result of this procedure.

Payroll and Personnel

- 17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five 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 noted as a result of this procedure.

- 18. Randomly select one pay period during the fiscal period. For the five employees or officials selected under procedure #17 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees or officials documented their daily attendance and leave.

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

- d) Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were noted as a result of this procedure.

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

Results: No exceptions were noted as a result of this procedure.

20. Obtain management's representation that employer and employee portions of third-party payroll-related amounts have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were noted as a result of this procedure.

Ethics

21. Using the five randomly selected employees/officials from procedure #17 under "Payroll and Personnel", obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

- b) Observe whether the entity maintains documentation which demonstrates that each employee and official was notified of any changes to the entity's policy during the fiscal period, as applicable.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

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Debt Service

23. 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 that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

24. 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 balances and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

Fraud Notice

25. 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 as required by R.S. 24:523.

Results: No exceptions were noted as a result of this procedure.

26. Observe that 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.

Results: No exceptions were noted as a result of this procedure.

Information Technology Disaster Recovery/Business Continuity

27. Perform the following procedures and verbally discuss the results with management:

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on the entity's local server or network, and (c) was encrypted.

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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 there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three 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 five computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting software in use are currently supported by the vendor.

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

- 28. Randomly select five terminated employees (or all terminated employees if less than five) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: No exceptions were noted as a result of this procedure.

- 29. Using the 5 randomly selected employees/officials from "Payroll and Personnel" procedure #17 above, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows: Hired before June 9, 2020 - completed the training; and Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Results: No exceptions were noted as a result of this procedure.

Prevention of Sexual Harassment

- 30. Using the five randomly selected employees/officials from "Payroll and Personnel" procedure #17 above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S.42:343.

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Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

31. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.

32. 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 that 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;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: This procedure is not applicable to The Arc of Greater New Orleans, a not-for-profit organization.