

LARC, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

LARC, INC.

CONTENTS

| | |
|--|------------|
| INDEPENDENT AUDITORS' REPORT | 2-3 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position..... | 4 |
| Statements of Activities..... | 5 |
| Statements of Cash Flows..... | 6 |
| Statement of Functional Expenses - 2020..... | 7 |
| Statement of Functional Expenses - 2019..... | 8 |
| Notes to Financial Statements..... | 9-15 |
| ADDITIONAL INFORMATION | |
| Schedule of Activities by Component - 2020..... | 16 |
| Schedule of Activities by Component - 2019..... | 17 |
| 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 <i>Government Auditing Standards</i> | 18-19 |
| Schedule of Findings and Questioned Costs..... | 20 |
| Summary Schedule of Prior Year Findings | 21 |

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors
LARC, Inc.
Lafayette, Louisiana

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activities by component 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 November 20, 2020, on our consideration of LARC, Inc.'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 LARC, Inc.'s internal control over financial reporting and compliance.

***Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC***

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

November 20, 2020
Lafayette, Louisiana

LARC, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

| ASSETS | <u>2020</u> | <u>2019</u> |
|--|--------------------------------|--------------------------------|
| CURRENT ASSETS | | |
| Cash and Interest Bearing Deposits | \$ 1,935,977 | \$ 661,155 |
| Investments | 1,558,955 | 1,372,917 |
| Accounts Receivable (net of allowance for doubtful accounts of \$5,000 and \$5,000, respectively) | 331,692 | 441,854 |
| Inventory | 9,339 | 12,036 |
| Deposits | <u>14,980</u> | <u>-</u> |
| Total Current Assets | <u>3,850,943</u> | <u>2,487,962</u> |
| PROPERTY AND EQUIPMENT (NET) | <u>3,637,003</u> | <u>3,314,435</u> |
| OTHER ASSETS | | |
| Certificates of Deposit | 100,000 | 200,119 |
| Intangible Asset | <u>92,200</u> | <u>-</u> |
| Total Other Assets | <u>192,200</u> | <u>200,119</u> |
| TOTAL ASSETS | <u>\$ 7,680,146</u> | <u>\$ 6,002,516</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 97,823 | \$ 64,778 |
| Accrued Payroll and Related Liabilities | 98,706 | 95,393 |
| Deferred Revenue | 12,185 | 23,550 |
| Current Portion of Long-Term Debt | <u>421,548</u> | <u>-</u> |
| Total Current Liabilities | <u>630,262</u> | <u>183,721</u> |
| LONG-TERM LIABILITIES | | |
| Long-Term Debt (Less Current Maturities) | <u>815,407</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>1,445,669</u> | <u>183,721</u> |
| NET ASSETS | | |
| Without Donor Restrictions | <u>6,234,477</u> | <u>5,818,795</u> |
| Total Net Assets | <u>6,234,477</u> | <u>5,818,795</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 7,680,146</u> | <u>\$ 6,002,516</u> |

The accompanying notes are an integral part of these statements.

LARC, INC.

**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------------------|
| WITHOUT DONOR RESTRICTIONS | | |
| PUBLIC SUPPORT | | |
| Donations | \$ 102,811 | \$ 345,492 |
| Fundraising | <u>738,040</u> | <u>709,864</u> |
| Total Public Support | <u>840,851</u> | <u>1,055,356</u> |
| REVENUES | | |
| Program Revenues | 6,334,755 | 6,346,210 |
| Interest | 2,675 | 1,823 |
| Membership Dues | 230 | 1,335 |
| Other Revenue | 7,363 | 9,407 |
| Gain on Disposal of Assets | 7,317 | 10,858 |
| Gain on Investment Transactions: | | |
| Unrealized | 92,649 | 39,949 |
| Realized | <u>94,321</u> | <u>(28,877)</u> |
| Total Revenues | <u>6,539,310</u> | <u>6,380,705</u> |
| TOTAL PUBLIC SUPPORT AND REVENUES | <u>7,380,161</u> | <u>7,436,061</u> |
| EXPENSES AND LOSSES | | |
| Vocational Services | 2,009,741 | 2,124,854 |
| Residential Services | 1,784,331 | 1,644,518 |
| Community Support and Services | 1,527,228 | 1,514,949 |
| Acadian Village | 369,151 | 357,347 |
| Supporting Services: | | |
| Management and General | 966,175 | 866,094 |
| Fundraising | <u>307,853</u> | <u>361,174</u> |
| Total Expenses | <u>6,964,479</u> | <u>6,868,936</u> |
| CHANGE IN NET ASSETS | 415,682 | 567,125 |
| NET ASSETS AT BEGINNING OF YEAR | <u>5,818,795</u> | <u>5,251,670</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 6,234,477</u> | <u>\$ 5,818,795</u> |

The accompanying notes are an integral part of these statements.

LARC, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 415,682 | \$ 567,125 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities: | | |
| Depreciation | 400,858 | 368,173 |
| Gain on Disposal of Assets | (7,317) | (10,858) |
| Unrealized Gain on Investment Transactions | 92,649 | 39,949 |
| Changes in Current Assets and Liabilities: | | |
| Accounts Receivable | 110,162 | 82,476 |
| Inventory | 2,697 | 8,762 |
| Prepaid Expense | - | 225 |
| Other Assets | (92,200) | - |
| Deposits | (14,980) | - |
| Accounts Payable | 33,045 | (1,729) |
| Accrued Payroll and Related Liabilities | 3,313 | (2,298) |
| Deferred Revenue | <u>(11,365)</u> | <u>(6,025)</u> |
| Net Cash Provided By Operating Activities | <u>932,544</u> | <u>1,045,800</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (770,509) | (554,578) |
| Proceeds from Sale of Fixed Asset | 54,400 | - |
| Purchase of Investments | (278,687) | (767,245) |
| Proceeds from Sale of Investments | <u>100,119</u> | <u>11,300</u> |
| Net Cash Used In Investing Activities | <u>(894,677)</u> | <u>(1,310,523)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Long-Term Debt | 1,267,953 | - |
| Principal Payments on Long-Term Debt | <u>(30,998)</u> | <u>-</u> |
| Net Cash Provided By Financing Activities | <u>1,236,955</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | 1,274,822 | (264,723) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>661,155</u> | <u>925,878</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,935,977</u> | <u>\$ 661,155</u> |

The accompanying notes are an integral part of these statements.

LARC, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

| | Program Services | | | | Supporting Services | | TOTAL |
|-----------------------------------|---------------------|----------------------|--------------------------------|-------------------|------------------------|-------------------|---------------------|
| | Vocational Services | Residential Services | Community Support and Services | Acadian Village | Management and General | Fundraising | |
| Compensation and Related Expenses | | | | | | | |
| Salaries | \$ 1,059,429 | \$ 1,011,282 | \$ 1,279,151 | \$ 118,773 | \$ 513,771 | \$ 35,773 | \$ 4,018,179 |
| Client Salaries | 141,287 | - | - | - | - | - | 141,287 |
| Payroll Taxes | 92,505 | 79,525 | 109,436 | 10,591 | 38,671 | 1,896 | 332,624 |
| Employee Benefits | 152,841 | 47,756 | 34,666 | 6,136 | 36,112 | 2,034 | 279,545 |
| Retirement Plan Contributions | 17,066 | 5,137 | 4,026 | 904 | 6,810 | 841 | 34,784 |
| | <u>1,463,128</u> | <u>1,143,700</u> | <u>1,427,279</u> | <u>136,404</u> | <u>595,364</u> | <u>40,544</u> | <u>4,806,419</u> |
| Advertising | 235 | - | - | 5,992 | 6,212 | 22,673 | 35,112 |
| Bank Charges | - | - | - | 4,871 | 17,973 | 17,890 | 40,734 |
| Christmas Program | - | - | - | - | - | 187,081 | 187,081 |
| Conferences | 655 | 245 | 1,001 | 110 | 260 | - | 2,271 |
| Cost of Goods Sold | - | - | - | 46,908 | - | - | 46,908 |
| Day Program Services | - | 7,060 | - | - | - | - | 7,060 |
| Depreciation | 198,110 | 46,709 | 1,585 | 46,404 | 81,992 | 26,058 | 400,858 |
| Dues and Subscriptions | 506 | 10 | - | 1,167 | 15,617 | 949 | 18,249 |
| Equipment Leases | 5,832 | 7,375 | 4,574 | 402 | 21,008 | - | 39,191 |
| Food | 5,623 | 66,368 | - | - | - | - | 71,991 |
| Fuel | 50,791 | 8,129 | - | 122 | 1,513 | - | 60,555 |
| Insurance | 91,405 | 61,475 | 40,929 | 42,918 | 33,506 | 3,475 | 273,708 |
| Miscellaneous Expenses | 7,681 | 5,153 | 8,647 | 199 | 8,831 | - | 30,511 |
| Performers and Concessions | - | - | - | 6,991 | - | - | 6,991 |
| Postage | 326 | 74 | 878 | 21 | 1,687 | 77 | 3,063 |
| Professional Services | 6,224 | 75,808 | 2,903 | 10,204 | 82,522 | 2,815 | 180,476 |
| Repairs and Maintenance | 24,472 | 24,319 | 3,196 | 25,040 | 41,523 | 2,220 | 120,770 |
| Supplies | 14,660 | 46,277 | 5,905 | 5,819 | 8,233 | 2,965 | 83,859 |
| Taxes and Licenses | 333 | 212,325 | 333 | - | - | - | 212,991 |
| Telephone | 18,671 | 15,098 | 7,729 | - | 17,610 | 711 | 59,819 |
| Travel | 5,348 | 3,827 | 19,785 | 475 | 7,115 | 395 | 36,945 |
| Utilities and Garbage | 32,624 | 44,695 | 2,484 | 35,104 | 7,288 | - | 122,195 |
| Vehicle Repairs and Maintenance | 49,238 | 15,684 | - | - | 2,478 | - | 67,400 |
| Work Activity Expense | 33,879 | - | - | - | - | - | 33,879 |
| TOTAL | <u>\$ 2,009,741</u> | <u>\$ 1,784,331</u> | <u>\$ 1,527,228</u> | <u>\$ 369,151</u> | <u>\$ 966,175</u> | <u>\$ 307,853</u> | <u>\$ 6,964,479</u> |

The accompanying notes are an integral part of these statements.

LARC, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

| | Program Services | | | | Supporting Services | | TOTAL |
|-----------------------------------|---------------------|----------------------|--------------------------------|-------------------|------------------------|-------------------|---------------------|
| | Vocational Services | Residential Services | Community Support and Services | Acadian Village | Management and General | Fundraising | |
| Compensation and Related Expenses | | | | | | | |
| Salaries | \$ 1,123,763 | \$ 909,178 | \$ 1,250,691 | \$ 109,369 | \$ 485,255 | \$ 62,856 | \$ 3,941,112 |
| Client Salaries | 180,207 | - | - | - | - | - | 180,207 |
| Payroll Taxes | 98,525 | 70,207 | 106,663 | 11,227 | 38,027 | 2,415 | 327,064 |
| Employee Benefits | 153,710 | 41,466 | 50,611 | 6,847 | 24,448 | 4,390 | 281,472 |
| Retirement Plan Contributions | 15,995 | 5,547 | 4,217 | 1,171 | 8,547 | 1,108 | 36,585 |
| | <u>1,572,200</u> | <u>1,026,398</u> | <u>1,412,182</u> | <u>128,614</u> | <u>556,277</u> | <u>70,769</u> | <u>4,766,440</u> |
| Advertising | 202 | - | - | 4,673 | 431 | 17,761 | 23,067 |
| Bank Charges | - | - | - | 5,307 | 17,519 | 13,801 | 36,627 |
| Christmas Program | - | - | - | - | - | 226,132 | 226,132 |
| Conferences | 648 | 208 | 857 | - | 1,153 | - | 2,866 |
| Cost of Goods Sold | - | - | - | 51,069 | - | - | 51,069 |
| Depreciation | 176,406 | 44,407 | 4,614 | 43,449 | 81,824 | 17,473 | 368,173 |
| Dues and Subscriptions | 310 | 10 | - | 1,173 | 17,170 | 10 | 18,673 |
| Equipment Leases | 5,345 | 5,767 | 2,887 | - | 12,700 | - | 26,699 |
| Food | 5,421 | 67,448 | - | - | - | - | 72,869 |
| Fuel | 70,214 | 10,456 | - | 192 | 3,568 | - | 84,430 |
| Insurance | 99,095 | 62,929 | 45,374 | 47,725 | 33,955 | 3,533 | 292,611 |
| Miscellaneous Expenses | 2,410 | 4,507 | 8,945 | 357 | 4,800 | - | 21,019 |
| Performers and Concessions | - | - | - | 1,119 | - | - | 1,119 |
| Postage | 185 | 91 | 933 | 86 | 1,938 | 207 | 3,440 |
| Professional Services | 3,786 | 72,370 | 1,126 | 3,406 | 65,458 | 1,650 | 147,796 |
| Repairs and Maintenance | 10,606 | 19,731 | 1,650 | 31,816 | 32,133 | - | 95,936 |
| Supplies | 17,402 | 52,052 | 1,734 | 5,514 | 8,628 | 4,624 | 89,954 |
| Taxes and Licenses | 333 | 208,450 | 333 | - | - | - | 209,116 |
| Telephone | 18,266 | 14,979 | 7,972 | - | 15,084 | 363 | 56,664 |
| Travel | 5,122 | 3,988 | 22,964 | 587 | 7,125 | 4,851 | 44,637 |
| Utilities and Garbage | 36,434 | 42,292 | 3,378 | 32,260 | 7,517 | - | 121,881 |
| Vehicle Repairs and Maintenance | 57,137 | 8,435 | - | - | (1,186) | - | 64,386 |
| Work Activity Expense | 43,332 | - | - | - | - | - | 43,332 |
| TOTAL | <u>\$ 2,124,854</u> | <u>\$ 1,644,518</u> | <u>\$ 1,514,949</u> | <u>\$ 357,347</u> | <u>\$ 866,094</u> | <u>\$ 361,174</u> | <u>\$ 6,868,936</u> |

The accompanying notes are an integral part of these statements.

LARC, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – LARC, Inc. (the “Association”) was incorporated in February 1961. The Association administers programs for the benefit of citizens with intellectual and developmental disabilities in an eight parish area of Southwest Louisiana. The programs are primarily funded from various governmental sources. The Association also operates Acadian Village, a living museum visited by tourists and used by the community for public events. The Village primarily generates revenue by admissions, gift shop sales and facilities rentals.

Basis of Presentation - The Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Currently the Association has no net assets with donor restrictions.

Basis of Accounting – The financial statements of LARC, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenses are recognized when incurred. Also, the financial statement presentation are in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Revenue – Fee for service contract revenue is recognized as services are provided. Grant revenue is recognized when the related expenses are incurred and all eligibility requirements imposed by the provider have been met.

Recognition of Donor Restrictions – Contributions are recognized as revenue when the donor makes a promise to give the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounts Receivable/Allowance for Doubtful Accounts – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through an adjustment to earnings and a valuation allowance account based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance account and a credit to accounts receivable. Changes in the valuation account have not been material to the financial statements. The total allowance at June 30, 2020 and 2019 was \$5,000 and \$5,000, respectively.

Property and Equipment – Purchased property and equipment are recorded at cost at the date of the acquisition. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Association has adopted a policy of implying a time restriction that expires over the useful life of the assets. The Association has a capitalization threshold of \$500. Depreciation is computed by the straight-line method over estimated useful lives ranging from four to thirty years. The Association has historical buildings in the amount of \$284,930 which are exempt from depreciation under FASB ASC 958-360-35-3.

LARC, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Assets – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of LARC, Inc.'s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LARC, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Compensated Absences - Employees of the Association earn annual leave in varying amounts depending on length of service. Vacation days that are unused within one year of accrual are lost without monetary compensation. Sick leave is also earned but follows the same policy as annual leave. Based on this, there is no accrual for compensated absences necessary at June 30, 2020 and 2019.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Association considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Inventories – Inventories consist of merchandise in the Acadian Village Store and Mardi Gras beads held for resale and is stated at the lower of cost or realizable market. Cost is determined on the first-in, first-out method.

Donated Services – The Association receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activity because the criteria for recognition under Accounting Standards Codification (ASC) 958-605-25-16 have not been satisfied.

Advertising – Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2020 and 2019 was \$35,112 and \$23,067, respectively.

Income Taxes – LARC, Inc. is an exempt Organization for Federal income tax purposes under section 501(c)(3) of the Internal Revenue Code.

As of June 30, 2020, tax returns for 2017, 2018, and 2019 remain open to examination by taxing authorities. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

LARC, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairments – Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management’s estimate of the recoverability of these assets.

Functional 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.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Considerations - Fair value is used to measure financial and certain nonfinancial assets and liabilities measured or disclosed at fair value on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs – Level 1) and the lowest priority to a reporting entity’s internal assumptions based upon the best information available when external market data is limited or unavailable (unobservable inputs – Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an entity elects the fair value option for an eligible item, changes in that item’s fair value in subsequent reporting periods must be recognized in current earnings. The fair value option was not elected for the measurements of any eligible assets or liabilities.

The estimated fair values of each entity’s short-term financial instruments (primarily cash and cash equivalents, receivables, accounts payables, accrued expenses, short-term debt and lines of credit) approximate their individual carrying amounts due to the relatively short period between their origination and expected realization or payment. Based on market rates for similar loans, the fair value of long-term debt approximates their carrying value.

New Accounting Pronouncement – In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers*, or Accounting Standards Codification Topic 606 (“ASC 606”), which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition* (“ASC 605”). This literature is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The accounting guidance also requires additional disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts including significant judgements and changes to judgements, as well as assets recognized from costs incurred to obtain or fulfill a contract. On July 1, 2019, the Association adopted ASC 606.

LARC, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Association has adopted ASU No. 2018-08, Not-For-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard for the year ended June 30, 2020 did not result in a change to the accounting for the Association’s revenue. Management believes the standard improved the usefulness and understandability of the Association’s financial reporting.

(B) FIXED ASSETS

Property and equipment consisted of the following at June 30:

| | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| Buildings | \$ 6,842,427 | \$ 6,702,944 |
| Furniture and Fixtures | 116,685 | 116,280 |
| Machinery and Equipment | 996,358 | 960,899 |
| Transportation Equipment | 901,412 | 1,033,302 |
| Land | 664,349 | 112,099 |
| Work In Progress | 13,200 | 63,269 |
| | 9,534,431 | 8,988,793 |
| Less: Accumulated Depreciation | (5,897,428) | (5,645,462) |
| Net Fixed Assets | \$ 3,637,003 | \$ 3,343,331 |

Total depreciation expense for the year ended June 30, 2020 and 2019 was \$400,858 and \$368,173, respectively.

(C) INTANGIBLE ASSETS

During the fiscal year ended June 30, 2020, the Association purchased a Certificate of Need for \$92,200 from a third party. This Certificate allows the Association to expand its licensed bed capacity by six beds. The certificate has no set useful life and can be sold at any point in time and is therefore considered to have an indefinite useful life. This asset will be tested for impairment at least annually or more frequently if events and circumstances exist that indicate an impairment test should be performed.

LARC, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(D) LONG-TERM DEBT

Long-term debt consisted of the following as of June 30, 2020:

In April 2020, the Association was granted a loan from Iberia Bank in the aggregate amount of \$813,953, pursuant to the Paycheck Protection Program (the "PPP"). The Loan, which was in the form of a Note dated April 17, 2020, matures on April 17, 2022 and bears interest at a rate of 1.0% per annum, payable monthly in 18 payments of \$45,807 commencing on November 17, 2020. The Note may be prepaid at any time prior to maturing with no prepayment penalties.

The Organization may be eligible for loan forgiveness of up to the full principal amount and any accrued interest owing under this Note pursuant to Section 1106 of the CARES Act and the PPP Rules.

The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Organization cannot be assured that they will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

The Organization purchased land under a note payable on December 1, 2019 for \$454,000. Monthly principal and interest payments are \$6,632 with interest rate of 6.0% maturing on December 1, 2025.

| | |
|-------------------------------|------------------|
| Total Long-Term Notes Payable | \$ 1,236,955 |
| Less: Current Maturities | <u>(421,548)</u> |
| Total Long-Term Debt | \$ 815,407 |

Maturities of long-term debt are as follows:

| | |
|------------|---------------|
| 2021 | \$ 421,548 |
| 2022 | 529,245 |
| 2023 | 77,788 |
| 2024 | 82,585 |
| 2025 | 87,679 |
| Thereafter | <u>38,110</u> |
| Total | \$ 1,236,955 |

(E) REVENUE RECOGNITION

The Organization has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes are necessary to conform with the new standard. Revenues are recognized when received.

(F) RISKS AND UNCERTAINTIES

The State of Louisiana is the primary source of revenues for the Association. In the future, financial problems of the State of Louisiana may result in reduced funding. It is possible certain programs may be severely affected by these declining revenues. However, management believes changes can be incorporated into the continuing operations without a catastrophic result.

LARC, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

(F) RISKS AND UNCERTAINTIES-continued

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Association is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Association's clients, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Association's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

(G) GIFTS OF FUTURE INTERESTS

Certain individuals have named the Association as a charitable beneficiary to their estate. In some cases, restrictions apply to the use of these future funds. However, the Association has no future guarantee to the use or access of these assets. The Association's right as a beneficiary, and the economic value, is subject to potential change.

(H) EMPLOYEE BENEFIT PLAN

The Association maintains a qualified defined contribution profit sharing plan with a 401(k) deferred compensation provision. All employees who are at least 21 years of age and have completed one year of service including a minimum of 1,000 hours of service are eligible to participate in the plan. The plan provides for partial vesting of employer contributions after two years and full vesting after four years of service. Employee contributions are 100% vested. Employees may contribute up to 92% of their pretax income. The Association's contribution is discretionary and is determined annually by the Board of Directors. A discretionary contribution of \$34,784 and \$35,585 was made for the year ended June 30, 2020 and 2019, respectively.

(I) CONCENTRATION OF CREDIT RISK

The Association maintains its cash balances at multiple financial institutions. At times, cash balances exceed the Federal Deposit Insurance Corporation limits of up to \$250,000 per institution. It is the opinion of management that the solvency of these financial institutions is not of particular concern at this time. The excess amount at June 30, 2020 and 2019 was \$1,553,536 and \$363,183, respectively.

The Association's main funding source is the State of Louisiana. Funding is received through fee for service contracts. For the year ended June 30, 2020 and 2019, funding received from the State of Louisiana was \$5,320,740 or 72% and \$5,219,233 or 70%, of total revenues, gains, and other support, respectively.

(J) LEASES

The Association leases four copiers and a mailing system under operating leases expiring between July and October 2024. In the normal course of business, operating leases are generally renewed or replaced by other leases. Total lease expense for the year ended June 30, 2020 and 2019 is \$39,191 and \$26,699, respectively.

LARC, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

(J) LEASES-continued

Minimum future rental payments under non-cancelable operating leases for each of the next five years and in the aggregate are:

For the Year Ended June 30:

| | | |
|-------------------------------------|------|------------------|
| | 2021 | \$ 12,476 |
| | 2022 | 11,796 |
| | 2023 | 11,796 |
| | 2024 | <u>11,796</u> |
| Total Future Minimum Lease Payments | | <u>\$ 47,865</u> |

(K) LINE OF CREDIT

The Association has a line of credit with a maximum borrowing limit of \$50,000. The line of credit bears a variable interest rate of Wall Street Journal prime (5.50%) plus a rate of 3.75% over the index resulting in an initial rate of 9.25% and matures on March 1, 2021. As of June 30, 2020 and 2019, the Association has no outstanding balance on this line of credit.

(L) COMPENSATION, BENEFITS AND OTHER PAYMENTS TO DIRECTOR

There were no compensation, benefits and other payments paid in fiscal year ended June 30, 2020 from public funds.

(M) LIQUIDITY AND AVAILABILITY

The Association strives to maintain liquid financial assets sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other investments.

The following table reflects the Association's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at June 30, 2020 and 2019.

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash | \$ 1,935,977 | \$ 661,155 |
| Investments | 1,558,955 | 1,372,917 |
| Certificates of Deposit | <u>100,000</u> | <u>200,119</u> |
| Total Financial Assets | <u>\$ 3,594,932</u> | <u>\$ 2,234,191</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 3,594,932</u> | <u>\$ 2,234,191</u> |

(N) SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 20, 2020, the date which the financial statements were available to be issued.

LARC, INC.

SCHEDULE OF ACTIVITIES BY COMPONENT
YEAR ENDED JUNE 30, 2020

| | Program Services | | | | Supporting Services | | TOTAL |
|-----------------------------------|---------------------|----------------------|--------------------------------|---------------------|------------------------|-------------------|-------------------|
| | Vocational Services | Residential Services | Community Support and Services | Acadian Village | Management and General | Fundraising | |
| REVENUE AND SUPPORT: | | | | | | | |
| Program Revenue | \$ 1,762,039 | \$ 2,424,460 | \$ 1,942,164 | \$ 206,092 | \$ - | \$ - | \$ 6,334,755 |
| Christmas Program | - | - | - | - | - | 738,040 | 738,040 |
| Other | <u>73,874</u> | <u>4,026</u> | <u>5,137</u> | <u>12,231</u> | <u>212,098</u> | <u>-</u> | <u>307,366</u> |
| Total Revenue and Support | 1,835,913 | 2,428,486 | 1,947,301 | 218,323 | 212,098 | 738,040 | 7,380,161 |
| EXPENSES: | | | | | | | |
| TOTAL EXPENSES | <u>2,009,741</u> | <u>1,784,331</u> | <u>1,527,228</u> | <u>369,151</u> | <u>966,175</u> | <u>307,853</u> | <u>6,964,479</u> |
| Increase (Decrease) in Net Assets | <u>\$ (173,828)</u> | <u>\$ 644,155</u> | <u>\$ 420,073</u> | <u>\$ (150,828)</u> | <u>\$ (754,077)</u> | <u>\$ 430,187</u> | <u>\$ 415,682</u> |

See Independent Auditors' Report.

LARC, INC.

SCHEDULE OF ACTIVITIES BY COMPONENT
YEAR ENDED JUNE 30, 2019

| | Program Services | | | | Supporting Services | | TOTAL |
|-----------------------------------|---------------------|----------------------|--------------------------------|--------------------|------------------------|-------------------|-------------------|
| | Vocational Services | Residential Services | Community Support and Services | Acadian Village | Management and General | Fundraising | |
| REVENUE AND SUPPORT: | | | | | | | |
| Program Revenue | \$ 2,068,002 | \$ 2,104,456 | \$ 1,883,234 | \$ 290,518 | \$ - | \$ - | \$ 6,346,210 |
| Christmas Program | - | - | - | - | - | 709,864 | 709,864 |
| Other | <u>316,680</u> | <u>4,217</u> | <u>5,547</u> | <u>10,563</u> | <u>42,979</u> | <u>-</u> | <u>379,986</u> |
| Total Revenue and Support | 2,384,682 | 2,108,673 | 1,888,781 | 301,081 | 42,979 | 709,864 | 7,436,060 |
| EXPENSES: | | | | | | | |
| TOTAL EXPENSES | <u>2,124,854</u> | <u>1,644,518</u> | <u>1,514,949</u> | <u>357,347</u> | <u>866,094</u> | <u>361,174</u> | <u>6,868,936</u> |
| Increase (Decrease) in Net Assets | <u>\$ 259,828</u> | <u>\$ 464,155</u> | <u>\$ 373,832</u> | <u>\$ (56,266)</u> | <u>\$ (823,115)</u> | <u>\$ 348,690</u> | <u>\$ 567,124</u> |

See Independent Auditors' Report.

WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants
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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*

JOHN W. WRIGHT, CPA *
JAMES H. DUPUIS, CPA *
JAN H. COWEN, CPA *
LANCE E. CRAPPELL, CPA, CGMA *
MICAH R. VIDRINE, CPA *
TRAVIS M. BRNSKO, CPA *
RICK L. STUTES, CPA, CVA/ABV,
APA, CFF/MAFF*
CHRISTINE R. DUNN, CPA**
DAMIAN H. SPIESS, CPA, CFP **
JOAN MARTIN, CPA, CVA, CFF, FABFA**
ANDRE' D. BROUSSARD, CPA**

* A PROFESSIONAL CORPORATION
** A LIMITED LIABILITY COMPANY



JEROMY BOURQUE, CPA
ROBERT T. DUCHARME, II, CPA
BRITTANY ENGLISBEE, CPA, MBA
JUDITH FAULK, CPA, APA
DEREK GODEAUX, CPA, MSA
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MAGEN M. HORNSBY, CPA
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WENDY ORTEGO, CPA, CVA
STEPHANIE A. RAWLINSON, CPA
ROBIN G. STOCKTON, CPA
TINA B. VIATOR, CPA
STEPHANIE L. WEST, CPA, MBA

To the Board of Directors
LARC, Inc.
Lafayette, 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 LARC, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LARC, Inc.'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, LLC
Certified Public Accountants

November 20, 2020
Lafayette, Louisiana

LARC, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

We have audited the financial statements of LARC, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated November 20, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our audit of the financial statements of June 30, 2020 resulted in an unqualified opinion.

Section I – Summary of Auditors’ Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

| | | |
|--------------------------|------------------------------|--|
| Material Weaknesses | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Significant Deficiencies | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Compliance

| | | |
|---|------------------------------|--|
| Compliance Material to Financial Statements | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
|---|------------------------------|--|

Section II – Financial Statement Findings

There were no current year findings.

Section III – Federal Award Findings and Questioned Costs

This section is not applicable.

LARC, INC.

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no prior year findings.