

THE ARC OF ACADIANA, INC.

Audits of Financial Statements

June 30, 2013 and 2012

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Independent Auditor's Report

To the Board of Directors
The Arc of Acadiana, Inc.
New Iberia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Arc of Acadiana, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

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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 The Arc of Acadiana, Inc. as of June 30, 2013 and 2012, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 on our consideration of The Arc of Acadiana, 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 The Arc of Acadiana, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
December 16, 2013

THE ARC OF ACADIANA, INC.
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash	\$ 7,402,919	\$ 5,511,708
Investments	161,994	414,029
Receivables	224,835	137,131
Iota Auxiliary Fund Receivable	118,232	472,073
Due from Other Agencies, Net	2,913,452	3,216,501
Inventory	37,166	41,685
Prepaid Expenses	199,702	66,664
Other Current Assets	105,271	124,854
	<hr/>	<hr/>
Total Current Assets	11,163,571	9,984,645
Fixed Assets		
Property and Equipment, Net	8,121,316	5,470,845
Equipment Under Capital Lease, Net	419,385	-
	<hr/>	<hr/>
Total Fixed Assets	8,540,701	5,470,845
Other Assets		
Deposits Held for Others	427,103	174,980
Asset Held for Sale	-	360,000
Other Assets	12,213	12,213
	<hr/>	<hr/>
Total Other Assets	439,316	547,193
Restricted Cash		
Respite Building Fund	28,391	26,856
Community Rural Development	39,390	39,331
	<hr/>	<hr/>
Total Restricted Cash	67,781	66,187
	<hr/>	<hr/>
Total Assets	\$ 20,211,369	\$ 16,068,870

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

THE ARC OF ACADIANA, INC.
Statements of Financial Position (Continued)
June 30, 2013 and 2012

	2013	2012
Liabilities and Net Assets		
Current Liabilities Payable from Current Assets		
Accounts Payable	\$ 770,009	\$ 353,352
Accrued Liabilities	1,083,362	849,791
Accrued Compensated Absences	292,763	209,124
	<hr/>	
Total Current Liabilities Payable from Current Assets	2,146,134	1,412,267
	<hr/>	
Current Liabilities Payable from Restricted Assets		
Current Portion of Long-Term Debt	93,607	22,653
Current Portion of Capital Lease Obligations	88,402	-
	<hr/>	
Total Current Liabilities	2,328,143	1,434,920
	<hr/>	
Other Liabilities		
Long-Term Debt, Less Current Portion	2,211,477	674,180
Capital Lease Obligations, Less Current Portion	357,043	-
Deposits Held for Others	427,103	174,880
	<hr/>	
Total Other Liabilities	2,995,623	849,060
	<hr/>	
Total Liabilities	5,323,766	2,283,980
	<hr/>	
Net Assets		
Unrestricted	14,251,261	13,407,818
Temporarily Restricted	636,342	377,072
	<hr/>	
Total Net Assets	14,887,603	13,784,890
	<hr/>	
Total Liabilities and Net Assets	\$ 20,211,369	\$ 16,068,870
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The accompanying notes are an integral part of these financial statements.

THE ARC OF ACADIANA, INC.
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Program Revenue	\$ 28,441,114	\$ -	\$ 28,441,114
Contributions	414,319	476,116	890,435
Miscellaneous Revenue	180,326	-	180,326
Iota Auxiliary Fund	118,232	-	118,232
Investment Income, Net	22,368	-	22,368
Membership Revenue	15,865	-	15,865
	<u>29,192,224</u>	<u>476,116</u>	<u>29,668,340</u>
Net Assets Released from Restrictions			
Expiration of Time Restrictions	216,846	(216,846)	-
	<u>29,409,070</u>	<u>259,270</u>	<u>29,668,340</u>
Expenses			
Program Expenses			
Employment Services	6,323,733	-	6,323,733
Community Services	7,862,912	-	7,862,912
Residential Services	12,376,158	-	12,376,158
General and Administrative Expenses			
	2,002,824	-	2,002,824
	<u>28,565,627</u>	<u>-</u>	<u>28,565,627</u>
Change in Net Assets	843,443	259,270	1,102,713
Net Assets, Beginning of Year	<u>13,407,818</u>	<u>377,072</u>	<u>13,784,890</u>
Net Assets, End of Year	<u>\$ 14,251,261</u>	<u>\$ 636,342</u>	<u>\$ 14,887,603</u>

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

THE ARC OF ACADIANA, INC.
Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Program Revenue	\$ 21,548,677	\$ -	\$ 21,548,677
Contributions	546,840	259,679	806,519
Iota Auxiliary Fund	472,073	-	472,073
Miscellaneous Revenue	77,009	-	77,009
Investment Income, Net	19,978	-	19,978
Membership Revenue	16,582	-	16,582
	<u>22,681,159</u>	<u>259,679</u>	<u>22,940,838</u>
Net Assets Released from Restrictions			
Expiration of Time Restrictions	175,849	(175,849)	-
	<u>22,857,008</u>	<u>83,830</u>	<u>22,940,838</u>
Expenses			
Program Expenses			
Employment Services	5,601,708	-	5,601,708
Community Services	7,943,556	-	7,943,556
Residential Services	5,566,845	-	5,566,845
General and Administrative Expenses			
	1,465,176	-	1,465,176
	<u>20,577,285</u>	<u>-</u>	<u>20,577,285</u>
Change in Net Assets	2,279,723	83,830	2,363,553
Net Assets, Beginning of Year	11,128,095	293,242	11,421,337
Net Assets, End of Year	<u>\$ 13,407,818</u>	<u>\$ 377,072</u>	<u>\$ 13,784,890</u>

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

THE ARC OF ACADIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,102,713	\$ 2,363,553
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	830,984	611,089
Realized and Unrealized Gain on Investments, Net	(10,954)	(799)
Gain on Sale of Fixed Assets	(119,227)	(7,237)
Loss on Sale of Assets Held for Sale	29,120	-
Impairment Loss	-	201,483
Donated Fixed Assets	(290,380)	(259,679)
(Increase) Decrease in:		
Receivables	(87,704)	(38,861)
Iota Auxiliary Fund Receivable	353,841	(472,073)
Due from Other Agencies	303,049	(1,701,321)
Inventory and Prepaid Expenses	(128,519)	6,313
Other Current Assets	19,583	(37,000)
Other Assets	78,757	14,087
Increase (Decrease) in:		
Accounts Payable	416,657	97,469
Accrued Liabilities	233,571	280,771
Accrued Compensated Absences	83,639	29,124
Deposits Held for Others	252,223	-
Net Cash Provided by Operating Activities	3,067,353	1,086,919
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(3,517,157)	(1,363,758)
Proceeds from Sale of Fixed Assets	523,890	27,805
Purchase of Investments	(29,583)	(267,674)
Proceeds from Sale of Investments	292,572	886,471
Net Cash Used in Investing Activities	(2,730,278)	(717,156)
Cash Flows from Financing Activities		
Principal Payments on Loans	(36,975)	(21,695)
Proceeds from Loans	1,645,226	-
Principal Payments under Capital Lease Obligations	(52,521)	-
Net Cash Provided by (Used in) Financing Activities	1,555,730	(21,695)
Net Increase in Cash	1,892,805	348,068
Cash, Beginning of Year	5,577,895	5,229,827
Cash, End of Year	\$ 7,470,700	\$ 5,577,895

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

THE ARC OF ACADIANA, INC.
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash and Cash Equivalents Shown on Statement of		
Financial Position as:		
Current Assets - Cash	\$ 7,402,919	\$ 5,511,708
Restricted Assets - Restricted Cash	67,781	66,187
Total	\$ 7,470,700	\$ 5,577,895
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 127,911	\$ 30,758
Non-Cash Transactions		
Donated Fixed Assets	\$ 290,380	\$ 259,679
Transfer of Construction in Progress to Asset Held for Sale	-	432,701
Transfer of Construction in Progress to Property	1,414,155	-
Assets Purchased under Capital Leases	497,966	-
Total	\$ 2,202,501	\$ 692,380

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

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Arc of Acadiana, Inc. (Arc) is a Louisiana nonprofit corporation originally chartered in August 1954. On April 25, 2011, the organization legally changed its name from The Arc of Iberia to The Arc of Acadiana, Inc. Its purpose is to promote the general welfare of developmentally disabled physically handicapped and incapacitated citizens in the Acadiana area and to aid their parents and families. The following is a description of the various programs:

Employment Services

Employment Services is a day program for citizens of the community who are developmentally disabled. The day program operates in New Iberia, Lafayette, Iota, and Opelousas, Louisiana. Employment Services also operates several used clothing stores with locations in New Iberia, Lafayette, St. Martinville, Loreauville, Carencro, Eunice, Crowley, and Opelousas, Louisiana. Sales from these stores account for approximately 4% and 6% of program revenue for years ended June 30, 2013 and 2012, respectively.

Residential Services

Residential Services provides four homes in the New Iberia, Louisiana area for adults who are developmentally disabled. Beginning July 1, 2011, Arc began operating four units in Iota, Louisiana. In October 2012, Arc began operating a facility in Bossier City, Louisiana.

Community Services

The programs listed below are consolidated into one program. These programs operate in New Iberia, Lafayette, Crowley, Opelousas, and Morgan City, Louisiana.

Independent Living - Arc supervises adults who are developmentally disabled that live in their own home or apartment.

Personal Care Assistance (PCA) and Individual Family Support (IFS) - The PCA and IFS programs provide the services to the Independent Living program on more of a "one-on-one" basis. These programs are administered completely out of the clients' homes.

Operating Fund

The operating fund is used to account for all general and administrative expenses of Arc.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables and liabilities.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. There were no permanently restricted net assets as of June 30, 2013 and 2012.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statements of activities as net assets released from restrictions. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, Arc considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

Investments

Investments of certificates of deposit are presented in the financial statements at cost which approximates fair market value. Investments in marketable securities with readily determinable fair values, investments in debt securities, and investments in real estate are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Gains, losses and investment income are accounted for as unrestricted, temporarily restricted or permanently restricted based on restrictions, if any, imposed by donors.

Inventory

Inventory is stated at cost. Cost is determined using the average cost method.

Allowance for Doubtful Accounts

Arc considers amounts due from other agencies to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Restricted Cash

Arc is required to put in a separate reserve account at least 10% of the monthly payment to FHA under loan provisions for the building utilized as the Redwood Home under the Residential Services program and renovations to the Redwood Drive administrative building. These reserved amounts are reflected as restricted cash on the statements of financial position.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Donated Services

Arc receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statements of activities because the criteria for recognition have not been satisfied.

Property and Equipment

Purchased property and equipment in excess of \$5,000, is capitalized and recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, Arc has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

Depreciation and amortization is computed by the straight-line method at rates based on the following estimated useful lives:

Furniture and Equipment	5 - 20 Years
Building and Improvements	8 - 30 Years
Transportation Equipment	3 - 5 Years

Interest on debt issued to finance the renovations to the Walton Street building and Redwood Street administrative building have been capitalized as part of the project.

Asset Held for Sale

Individual long-lived assets to be disposed of by sale are classified as assets held for sale. Assets held for sale are carried at the lower of their carrying amount or fair value less selling costs and are presented separately on the face of the statement of financial position. Upon classification as assets held for sale, the assets are no longer depreciated.

Asset held for sale consisted of one property that was purchased by Arc and marketed for sale. For the year ended June 30, 2012, Arc recognized \$201,483 in impairment loss on the asset held for sale. The adjustment was made to reflect decline in the estimated net realizable value of real property and building in the surrounding area and was included in general and administrative expenses in the statement of activities. For the year ended June 30, 2013, Arc recognized a \$29,120 loss in the sale of the asset held for sale which was included in general and administrative expenses in the statement of activities.

Compensated Absences

Employees of Arc earn annual leave per month depending on years of service at a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Upon resignation or termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours.

Non-Direct Response Advertising

Arc expenses advertising costs as incurred. Advertising expense charged to operations totaled \$134,232 and \$134,031, for the years ended June 30, 2013 and 2012, respectively.

Income Taxes

Arc qualifies for an exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

All tax returns have been appropriately filed by Arc. Arc recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. Arc's tax filings are subject to audit by various taxing authorities. Arc's open audit periods are 2010 through 2012. Management evaluated Arc's tax positions and concluded that Arc has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Use of Estimates

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

Fair Value of Financial Instruments

Investments in equity securities with readily determinable fair values, investments in debt securities, and investments in real estate are measured at fair value in the statement of financial position.

Arc follows the *Fair Value Measurements and Disclosure* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, 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 at the measurement date.

This Topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

Investments whose values are based on quoted market prices in active markets, and are therefore classified as Level 1, include but are not limited to actively traded equities and certain money market securities.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Investments classified as Level 2 trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These generally include certain U.S. government and sovereign obligations, most government agency securities, investment grade corporate bonds, less liquid listed equities, state, municipal and principal obligations, and most physical commodities. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 4).

Note 2. Due from Other Agencies, Net

Due from other agencies, net at June 30, 2013 and 2012, consisted of the following:

	2013	2012
Due from Medicaid, Net	\$ 2,805,200	\$ 3,053,782
Due from Other Facilities	87,266	116,513
Due from O.C.D.D.	14,907	30,534
Due from Louisiana Rehabilitation Services	6,079	15,672
Total	\$ 2,913,452	\$ 3,216,501

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 2. Due from Other Agencies, Net (Continued)

Included in due from other agencies, net as of June 30, 2013 and 2012, are receivables from Medicaid which have been reduced by \$-0- and \$30,861, respectively. At June 30, 2012, \$30,861 represented a payable which the Louisiana Department of Health and Hospitals (LDHH) claimed it was owed based on the results of a review performed by the agency on Arc's Medicaid claims paid.

Note 3. Investments

As more fully described in Note 1, investments are presented in the financial statements at fair value and are composed of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Cash - Money Market and Certificate of Deposit	\$ 55,558	\$ 60,003
Equity Securities	68,959	217,656
Debt Securities	37,477	136,370
Total	\$ 161,994	\$ 414,029

Investment income, net is composed of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Dividends and Interest	\$ 11,414	\$ 28,750
Realized Gain	28,305	71,885
Unrealized Loss	(17,351)	(71,086)
Fees	-	(9,571)
Total	\$ 22,368	\$ 19,978

Note 4. Fair Value Measurements

Arc's assets recorded at fair value have been categorized based upon a fair value hierarchy with the *Fair Value Measurements and Disclosure* Topic of the FASB ASC. See Note 1 for a description of Arc's policies and valuation techniques.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The valuation of Arc's assets measured at fair value on a recurring basis at June 30, 2013, is as follows:

2013 Assets	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	\$ 55,558	\$ -	\$ -	\$ 55,558
Corporate Fixed Income	-	22,871	-	22,871
Corporate Stock	68,959	-	-	68,959
U.S. Government Obligations	-	14,606	-	14,606
Total	\$ 124,517	\$ 37,477	\$ -	\$ 161,994

The valuation of Arc's assets measured at fair value on a recurring basis at June 30, 2012, is as follows:

2012 Assets	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	\$ 60,003	\$ -	\$ -	\$ 60,003
Corporate Fixed Income	-	68,335	-	68,335
Corporate Stock	217,656	-	-	217,656
U.S. Government Obligations	-	68,035	-	68,035
Total	\$ 277,659	\$ 136,370	\$ -	\$ 414,029

There were no assets measured at fair value on a non-recurring basis at June 30, 2013. The valuation of Arc's assets measured at fair value on a non-recurring basis at June 30, 2012, was as follows:

2012 Assets	Level 1	Level 2	Level 3	Net Balance
Asset Held for Sale (Building)	\$ -	\$ 360,000	\$ -	\$ 360,000
Total	\$ -	\$ 360,000	\$ -	\$ 360,000

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 5. Property and Equipment, Net

Property and equipment, net at June 30, 2013, consisted of the following:

	Purchased Assets Historical Cost	Donated Value	Total
Land	\$ 1,268,802	\$ 136,550	\$ 1,405,352
Building and Improvements	6,012,577	187,200	6,199,777
Furniture and Equipment	1,196,499	42,300	1,238,799
Vehicles	1,224,720	1,562,274	2,786,994
Construction in Progress	661,026	-	661,026
	<u>10,363,624</u>	<u>1,928,324</u>	<u>12,291,948</u>
Less: Accumulated Depreciation	<u>(3,136,613)</u>	<u>(1,034,019)</u>	<u>(4,170,632)</u>
Net Property and Equipment	<u>\$ 7,227,011</u>	<u>\$ 894,305</u>	<u>\$ 8,121,316</u>

Total depreciation expense for the year ended June 30, 2013, was \$752,403, of which \$216,846, was related to donated assets.

Property and equipment, net at June 30, 2012, consisted of the following:

	Purchased Assets Historical Cost	Donated Value	Total
Land	\$ 744,508	\$ 112,550	\$ 857,058
Building and Improvements	4,301,934	187,200	4,489,134
Furniture and Equipment	978,936	42,300	1,021,236
Vehicles	1,022,934	1,295,894	2,318,828
Construction in Progress	207,020	-	207,020
	<u>7,255,332</u>	<u>1,637,944</u>	<u>8,893,276</u>
Less: Accumulated Depreciation	<u>(2,597,767)</u>	<u>(824,664)</u>	<u>(3,422,431)</u>
Net Property and Equipment	<u>\$ 4,657,565</u>	<u>\$ 813,280</u>	<u>\$ 5,470,845</u>

Total depreciation expense for the year ended June 30, 2012, was \$611,089, of which \$175,849, was related to donated assets.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 6. Long-Term Debt

Long-term debt at June 30, 2013 and 2012, consisted of the following:

	2013	2012
Operating Fund		
Mortgage note payable to FHA, due in monthly installments of \$2,585, bearing interest at 4.125%, secured by collateral mortgage on the building at 3716 Redwood Drive, maturing August 9, 2035.	\$ 449,419	\$ 461,697
Mortgage note payable to FHA, due in monthly installments of \$543, bearing interest at 4.125%, secured by collateral mortgage on the building at 3716 Redwood Drive, maturing August 9, 2035.	94,427	96,990
Mortgage note payable to Community First Bank, due in monthly installments of \$7,953, bearing interest at 5.25%, secured by collateral mortgage on the building at 6400 West Highway 90, maturing January 25, 2018.	1,165,745	-
Mortgage note payable to Community First Bank, due in monthly installments of \$8,088, bearing interest at 5.25%, secured by collateral mortgage on the building at 2008 Eraste Landry, maturing December 6, 2018.	465,226	-
Residential Services		
Mortgage note payable to FHA, due in monthly installments of \$1,028, bearing interest at 5.25%, secured by collateral mortgage on the Redwood Home, maturing April 11, 2025.	107,698	114,193
Mortgage note payable to FHA, due in monthly installments of \$215, bearing interest at 5.125%, secured by collateral mortgage on the Redwood Home, maturing April 11, 2025.	22,569	23,953
Total	2,305,084	696,833
Less: Current Portion	(93,607)	(22,653)
Long-Term Portion	\$ 2,211,477	\$ 674,180

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

Maturities of long-term debt are as follows as of June 30, 2013:

<u>Years</u>	<u>Amount</u>
2014	\$ 93,607
2015	98,459
2016	103,625
2017	108,938
2018	1,356,230
Thereafter	<u>544,225</u>
Total	<u>\$ 2,305,084</u>

Interest expense for the years ended June 30, 2013 and 2012, was \$127,911 and \$30,758, respectively.

Note 7. Capital Leases

Arc leases certain equipment used in its operations under agreements that are classified as capital leases. The carrying amount of such equipment approximates the lesser of the present value of the associated minimum lease payments or the fair market value at the start of the lease. All of the equipment leases expire over the next five years. The lease obligations are secured by the leased equipment.

In most circumstances, management expects that these leases will not be renewed or replaced by other leases.

The following is an analysis of the leased equipment under capital leases by major class as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Equipment Under Capital Lease:		
Furniture and Equipment	\$ <u>497,966</u>	\$ -
	497,966	-
Less: Accumulated Amortization	<u>(78,581)</u>	-
Net Equipment Under Capital Lease	<u>\$ 419,385</u>	<u>\$ -</u>

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 7. Capital Leases (Continued)

Future minimum lease payments and the present value of the minimum lease payments under all of the capital lease obligations discussed above are as follows as of June 30, 2013:

Year Ending June 30:	Amount
2014	\$ 168,224
2015	168,224
2016	146,619
2017	127,789
2018	54,073
Total Minimum Lease Payments	<u>664,929</u>
Less: Amount Representing Interest (a)	<u>(219,484)</u>
Present Value of Minimum Lease Payments	445,445
Less: Current Maturities of Capital Lease Obligations	<u>(88,402)</u>
Long-Term Capital Lease Obligations	<u><u>\$ 357,043</u></u>

(a) Amount necessary to reduce net minimum lease payments to present value calculated at Arc's incremental borrowing rate at lease inception.

Interest expense under capital lease obligations was \$61,630 and \$-0- for years ended June 30, 2013 and 2012, respectively.

Note 8. Operating Leases

Arc leases facilities and equipment under operating leases, some of which include renewal options. Rental expenses under long-term operating leases of property and equipment for the years ended June 30, 2013 and 2012, was \$203,627 and \$210,080, respectively. Future minimum lease commitments as of June 30, 2012, are payable as follows:

Years	Amount
2014	\$ 115,555
2015	76,430
2016	49,700
2017	26,150
2018	<u>6,443</u>
Total	<u><u>\$ 274,278</u></u>

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 9. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 2013 and 2012:

2013	Total	Program		
		Employment Services	Community Services	Residential Services
Medicaid	\$ 25,512,984	\$ 3,066,119	\$ 9,346,915	\$ 13,099,950
Office of Citizens with Developmental Disabilities	15,275	8,134	7,141	-
Louisiana Rehab Services	61,729	61,729	-	-
Sales	1,243,773	1,243,773	-	-
Client Billings	1,177,751	5,500	121,937	1,050,314
Other Residential Facilities	429,602	429,602	-	-
Total Revenue	\$ 28,441,114	\$ 4,814,857	\$ 9,475,993	\$ 14,150,264

2012	Total	Program		
		Employment Services	Community Services	Residential Services
Medicaid	\$ 19,048,423	\$ 3,019,556	\$ 9,760,342	\$ 6,268,525
Office of Citizens with Developmental Disabilities	68,909	8,680	59,416	813
Louisiana Rehab Services	90,647	90,647	-	-
Sales	1,225,111	1,225,111	-	-
Client Billings	628,921	12,750	114,199	501,972
Other Residential Facilities	486,666	486,666	-	-
Total Revenue	\$ 21,548,677	\$ 4,843,410	\$ 9,933,957	\$ 6,771,310

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2013 and 2012:

	2013	2012
Remaining Net Book Value of Contributed Property and Equipment Employment Services Program	\$ 636,342	\$ 377,072

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 11. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the expiration of time for the years ended June 30th:

	2013	2012
Time Restriction Expired		
Expired Portion of Net Book Value of Contributed Property and Equipment	\$ 216,846	\$ 175,849

Note 12. Fiduciary Funds

Arc acts as a fiduciary agent for several of its resident clients. The balance of the checking accounts maintained by Arc totaled \$325,888 and \$116,647, for the years ending June 30, 2013 and 2012.

The Community Services Program, through its Independent Living Program, also acts as fiduciary agent for several of its clients. Checking accounts are maintained for each client, as applicable. Deposits include the client's social security benefits, their payroll checks, if employed, and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual client's needs. The balance in these checking accounts at June 30, 2013 and 2012, was \$101,214 and \$59,514, respectively.

Note 13. Concentration of Credit Risk

Arc periodically maintains cash and time deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) coverage at its banks. A large majority of funds held on deposit by Arc are transferred each night to a repurchase account and collateralized with direct U.S Government obligations, U.S. Government Agency obligations, or collateralized mortgage obligations.

Arc also receives a considerable amount of its total support and revenues from Medicaid for payments for services provided to clients. During the years ended June 30, 2013 and 2012, Arc received \$25,512,984 and \$19,048,423, respectively, from Medicaid, which was 86% and 83%, respectively, of total revenues.

THE ARC OF ACADIANA, INC.

Notes to Financial Statements

Note 14. Pending Litigation

Arc is a part to various legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance and, if not so covered, are without merit or are of such kind, or involve such amounts as would not have a significant effect on the financial position or results of operations of Arc if disposed of unfavorably.

Note 15. Related Party Transactions

As of June 30, 2013 and 2012, Arc had investments with a company managed by a member of their Board of Directors. Arc also utilized a member of the Board of Directors as their real estate agent to purchase and sell real estate as of and for the years ending June 30, 2013 and 2012.

Note 16. Subsequent Events

In October of 2013, Arc began operating the Lafayette location in a newly constructed facility at 2008 Eraste Landry. Construction of the new facility was financed with a mortgage note payable to Community First Bank maturing on December 6, 2018 as referred to in note 6. Also, an affiliated organization opened a medical clinic in the new facility and will be entering into a lease agreement.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was December 16, 2013, and determined that no other events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



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**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**

Independent Auditor's Report

To the Board of Directors
The Arc of Acadiana, Inc.
New Iberia, 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 Acadiana, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc of Acadiana, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc of Acadiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc of Acadiana, Inc.'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.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as finding 2013-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arc of Acadiana, 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*.

The Arc of Acadiana, Inc.'s Response to Finding

The Arc of Acadiana, Inc.'s response to the finding identified in our report is described in the accompanying schedule of findings and responses. The Arc of Acadiana, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA
December 16, 2013

THE ARC OF ACADIANA, INC.
Schedule of Findings and Responses

For the Year Ended June 30, 2013

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards - Not applicable

Part II - Financial Statement Findings

2013-1 Segregation of Duties

Finding: The Arc of Acadiana, Inc. (Arc) does not have an adequate segregation of duties at its Employment Services Lafayette location. One employee prepares invoices, collects payments, posts payments, makes deposits, etc. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that Arc may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition.

Recommendation: Keeping in mind the limited number of employees to which duties can be assigned, Arc should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Managements

Response: Subsequent to year end, in October of 2013, Arc expanded operations at its Employment Services Lafayette location and hired additional clerical personnel. Management believes it has designed and implemented controls that adequately facilitate segregation of duties at this location.

THE ARC OF ACADIANA, INC.
Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2013

2012-1 Segregation of Duties

Finding: Arc does not have an adequate segregation of duties at its Employment Services Lafayette location. One employee prepares invoices, collects payments, posts payments, makes deposits, etc. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that Arc may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition.

Recommendation: Keeping in mind the limited number of employees to which duties can be assigned, Arc should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Current Status: Unresolved - See 2013-1