THE ARC OF ACADIANA, INC.

Audits of Financial Statements

June 30, 2012 and 2011

Contents

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Independent Auditor's Report

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

We have audited the accompanying statements of financial position of The ARC of Acadiana, Inc. (ARC) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of ARC's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2012, 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* and should be considered in assessing the results of our audit.

LaPorte

A Professional Accounting Corporation

October 4, 2012

THE ARC OF ACADIANA, INC.
Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash	$ 5,511,708	$ 5,165,269
Investments	414,029	1,032,027
Receivables	137,131	98,270
Iota Auxiliary Fund Receivable	472,073	-
Due from Other Agencies, Net	3,216,501	1,515,180
Inventory	41,685	29,750
Prepaid Expenses	66,664	84,912
Other Current Assets	124,854	87,854
Total Current Assets	9,984,645	8,013,262
Fixed Assets		
Property and Equipment, Net	5,470,845	5,040,648
Other Assets		
Deposits Held for Others	174,980	130,022
Asset Held for Sale	360,000	-
Other Assets	12,213	26,300
Total Other Assets	547,193	156,322
Restricted Cash		
Respite Building Fund	26,856	25,323
Community Rural Development	39,331	39,235
Total Restricted Cash	66,187	64,558
Total Assets	$ 16,068,870	$ 13,274,790

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

THE ARC OF ACADIANA, INC.
Statements of Financial Position (Continued)
June 30, 2012 and 2011

	2012	2011
Liabilities and Net Assets		
Current Liabilities Payable from Current Assets		
Accounts Payable	$ 353,352	$ 255,883
Accrued Liabilities	849,791	569,020
Accrued Compensated Absences	209,124	180,000
Total Current Liabilities Payable from Current Assets	1,412,267	1,004,903
Current Liabilities Payable from Restricted Assets		
Current Portion of Long - Term Debt	22,653	21,652
Total Current Liabilities	1,434,920	1,026,555
Other Liabilities		
Long - Term Debt	674,180	696,876
Deposits Held for Others	174,880	130,022
Total Other Liabilities	849,060	826,898
Total Liabilities	2,283,980	1,853,453
Net Assets		
Unrestricted	13,407,818	11,128,095
Temporarily Restricted	377,072	293,242
Total Net Assets	13,784,890	11,421,337
Total Liabilities and Net Assets	$ 16,068,870	$ 13,274,790

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			
Contributions	$ 546,840	$ 259,679	$ 806,519
Program Revenue	21,548,677	-	21,548,677
Investment Income, Net	19,978	-	19,978
Membership Revenue	16,582	-	16,582
Iota Auxiliary Fund	472,073	-	472,073
Miscellaneous Revenue	77,009	-	77,009
	22,681,159	259,679	22,940,838
Net Assets Released from Restrictions			
Expiration of Time Restrictions	175,849	(175,849)	-
Total Revenues, Gains and Other Support	22,857,008	83,830	22,940,838
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
Total Expenses	20,577,285	-	20,577,285
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	$ 13,407,818	$ 377,072	$ 13,784,890

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, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	$ 610,596	$ 172,752	$ 783,348
Program Revenue	14,348,372	-	14,348,372
Investment Income, Net	133,817	-	133,817
Membership Revenue	13,809	-	13,809
Miscellaneous Revenue	36,711	-	36,711
	15,143,305	172,752	15,316,057
Net Assets Released from Restrictions			
Expiration of Time Restrictions	184,085	(184,085)	-
Total Revenues, Gains and Other Support	15,327,390	(11,333)	15,316,057
Expenses			
Program Expenses			
Employment Services	3,970,045	-	3,970,045
Community Services	7,041,797	-	7,041,797
Residential Services	1,648,011	-	1,648,011
General and Administrative Expenses	1,104,050	-	1,104,050
Total Expenses	13,763,903	-	13,763,903
Change in Net Assets	1,563,487	(11,333)	1,552,154
Net Assets, Beginning of Year	9,564,608	304,575	9,869,183
Net Assets, End of Year	$ 11,128,095	$ 293,242	$ 11,421,337

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, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Change in Net Assets	$ 2,363,553	$ 1,552,154
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Depreciation	611,089	508,686
Realized and Unrealized Loss (Gain) on Investments, Net	(799)	(107,786)
(Gain) Loss on Sale of Fixed Assets	(7,237)	6,605
Impairment Loss	201,483	-
Donated Fixed Assets	(259,679)	(379,252)
(Increase) Decrease in:		
Receivables	(38,861)	(35,661)
Due from Other Agencies	(1,701,321)	(320,495)
Iota Auxiliary Fund Receivable	(472,073)	-
Inventory and Prepaid Expenses	6,313	(81,972)
Other Current Assets	(37,000)	(47,891)
Other Assets	14,087	(14,096)
Increase (Decrease) in:		
Accounts Payable	97,469	(63,870)
Accrued Liabilities	280,771	137,713
Accrued Compensated Absences	29,124	19,785
Net Cash Provided by Operating Activities	1,086,919	1,173,920
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(1,363,758)	(1,015,652)
Proceeds from Sale of Fixed Assets	27,805	-
Purchase of Investments	(267,674)	(278,806)
Proceeds from Sale of Investments	886,471	262,525
Net Cash Used in Investing Activities	(717,156)	(1,031,933)
Cash Flows from Financing Activities		
Repayments of Long-Term Debt	(21,695)	(54,680)
Net Cash Used in Financing Activities	(21,695)	(54,680)
Net Increase in Cash	348,068	87,307
Cash, Beginning of Year	5,229,827	5,142,520
Cash, End of Year	$ 5,577,895	$ 5,229,827
Cash and Cash Equivalents Shown on Statement of Financial Position as:		
Current Assets - Cash	$ 5,511,708	$ 5,165,269
Restricted Assets - Restricted Cash	66,187	64,558
Total	$ 5,577,895	$ 5,229,827
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	$ 30,758	$ 32,381
Non-Cash Transactions		
Donated Fixed Assets	$ 259,679	$ 379,252
Transfer of Construction in Progress to Asset Held for Sale	432,701	-
Transfer of Construction in Progress to Property	-	16,585
Total	$ 692,380	$ 395,837

The accompanying notes are an integral part of these 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 charted 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 6% of program revenue for both years ended June 30, 2012 and 2011.

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. Beginning in July 2012, ARC entered into an agreement to run a facility in Bossier City. This facility will be run by ARC beginning in October 2012.

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.

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, 2012 and 2011.

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.

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 $2,500, 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 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 consists of one property that was purchased by ARC and is being marketed for sale. For the year ended June 30, 2012, ARC recognized $201,483 in impairment losses on the asset held for sale. The adjustment was made to reflect declines in the estimated net realizable value of real property and building in the surrounding area and is 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. 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.

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

Non-Direct Response Advertising

ARC expenses advertising costs as incurred. Advertising expense charged to operations totaled $134,031 and $31,367, for the years ended June 30, 2012 and 2011, 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 2009 through 2011. 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) Topic 820. 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 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.

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

Fair Value of Financial Instruments (Continued)

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.

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 5).

ARC's measurements of fair value are made on a recurring basis, and their valuation techniques for assets recorded at fair value are as follows:

Investments - The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment.

Note 2. Due from Other Agencies, Net

Due from other agencies, net at June 30, 2012 and 2011 consisted of the following:

		2012		2011
Due from Medicaid, Net	**$**	**3,053,782**	$	1,391,835
Due from Other Facilities		**116,513**		102,571
Due from O.C.D.D.		**30,534**		16,473
Due from Louisiana Rehabilitation Services		**15,672**		4,301
Total	**$**	**3,216,501**	$	1,515,180

Included in due from other agencies, net as of June 30, 2012 and 2011, are receivables from Medicaid which have been reduced by $30,861 and $112,275, respectively. At June 30, 2011, $112,275 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. Program revenue for 2011 was also reduced for the same amount. During 2012, a review of the initial claims adjustment was performed by LDHH which resulted in an adjustment to the payable to reduce it to $30,861. Program revenue for the year ended June 30, 2012 was increased for the reduction in the payable.

Note 3. Property and Equipment

Property and equipment 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**
	7,255,332	**1,637,944**	**8,893,276**
Less: Accumulated Depreciation	**(2,597,767)**	**(824,664)**	**(3,422,431)**
Net Property and Equipment	**$ 4,657,565**	**$ 813,280**	**$ 5,470,845**

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

Property and equipment at June 30, 2011 consisted of the following:

	Purchased Assets Historical Cost	Donated Value	Total
Land	$ 104,027	$ 112,550	$ 216,577
Building and Improvements	4,270,540	187,200	4,457,740
Furniture and Equipment	765,261	42,300	807,561
Vehicles	789,651	1,036,215	1,825,866
Iota Vehicles	242,750	-	242,750
Iota Equipment	5,700	-	5,700
Construction in Progress	488,148	-	488,148
	6,666,077	1,378,265	8,044,342
Less: Accumulated Depreciation	(2,362,367)	(641,327)	(3,003,694)
Net Property and Equipment	$ 4,303,710	$ 736,938	$ 5,040,648

Total depreciation expense for the year ended June 30, 2011, was $508,686, of which $184,085, was related to donated assets.

Note 4. 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, 2012 and 2011:

	2012	2011
Cash - Money Market and Certificate of Deposit	$ 60,003	$ 267,317
Equity Securities	217,656	509,344
Debt Securities	136,370	255,366
Total	$ 414,029	$ 1,032,027

Investment income, net is composed of the following for the years ended June 30, 2012 and 2011:

	2012	2011
Dividends and Interest	$ 22,191	$ 23,241
Interest Income	6,559	12,614
Realized Gain (Loss)	71,885	17,374
Unrealized (Loss) Gain	(71,086)	90,412
Fees	(9,571)	(9,824)
Total	$ 19,978	$ 133,817

Note 5. 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 Topic 820. See Note 1 for a description of ARC's policies and valuation techniques.

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

Note 5. Fair Value Measurements (Continued)

The valuation of ARC's assets measured at fair value on a recurring basis at June 30, 2011 is as follows:

2011 Assets	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	$ 267,317	$ -	$ -	$ 267,317
Corporate Fixed Income	-	135,031	-	135,031
Corporate Stock	509,344	-	-	509,344
U.S. Government Obligations	-	120,335	-	120,335
Total	$ 776,661	$ 255,366	$ -	$ 1,032,027

The valuation of ARC's assets measured at fair value on a non-recurring basis at June 30, 2012 is 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**

Note 6. Long-Term Debt

Long-term debt at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Operating Fund		
Mortgage note payable to FHA, due in monthly installments of $2,585, bearing interest at 4.125%, secured by collateral mortgage on the building at 3716 Redwood Drive, maturing August 9, 2035.	**$ 461,697**	$ 473,444
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.	**96,990**	99,458
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.	**114,193**	120,357

Note 6. Long-Term Debt (Continued)

		2012		2011
Mortgage note payable to FHA, due in monthly installments of $215, bearing interest at 5.125%, secured by collateral mortgage on the Redwood Home, maturing April 11, 2025.		**23,953**		25,269
Total		**696,833**		718,528
Less: Current Portion		**(22,653)**		(21,652)
Long-Term Portion	**$**	**674,180**	$	696,876

Maturities of long-term debt are as follows as of June 30, 2012:

Years	Amount
2013	$ 22,653
2014	23,690
2015	24,782
2016	25,924
2017	27,120
Thereafter	572,664
Total	$ 696,833

Interest expense for the years ended June 30, 2012 and 2011, was $30,758 and $32,381, respectively.

Note 7. 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, 2012 and 2011 was $210,080 and $187,516, respectively. Future minimum lease commitments as of June 30, 2012, are payable as follows:

Years	Amount
2013	$ 169,917
2014	109,442
2015	77,237
2016	54,520
2017	14,396
Total	$ 425,512

Note 8. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 2012 and 2011:

		Program		
2012	**Total**	**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**

		Program		
2011	Total	Employment Services	Community Services	Residential Services
Medicaid	$ 12,625,012	$ 2,230,304	$ 8,556,455	$ 1,838,253
Office of Citizens with Developmental Disabilities	55,116	9,604	45,512	-
Louisiana Rehab Services	65,235	65,235	-	-
Sales	864,705	864,705	-	-
Client Billings	290,522	8,518	121,431	160,573
Other Residential Facilities	447,782	447,782	-	-
Total Revenue	$ 14,348,372	$ 3,626,148	$ 8,723,398	$ 1,998,826

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2012 and 2011:

	2012	2011
Remaining Net Book Value of Contributed Property and Equipment Employment Services Program	**$ 377,072**	$ 293,242

Note 10. 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:

		2012		2011
Time Restriction Expired				
Expired Portion of Net Book Value of Contributed Property and Equipment	**$**	**175,849**	$	184,085

Note 11. Fiduciary Funds

ARC acts as a fiduciary agent for several of its resident clients. The balance of the checking accounts maintained by ARC totaled $31,896 and $44,217, for the years ending June 30, 2012 and 2011.

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, 2012 and 2011 was $142,984 and $85,805, respectively.

Note 12. 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, 2012 and 2011, ARC received $19,048,423 and $12,625,012, respectively, from Medicaid, which was 83% and 82%, respectively, of total revenues.

Note 13. Related Party Transactions

As of June 30, 2012 and 2011, 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, 2012 and 2011.

Note 14. Subsequent Events

Effective July 25, 2012, ARC entered into a 5-year cooperative endeavor agreement to privatize Northwest Supports and Services Center located in Bossier City, Louisiana. The contract is to establish, operate, and maintain a facility to serve 220 individuals who have developmental disabilities.

Management has evaluated subsequent events through the date that the financial statements were available to be issued which was October 4, 2012, and determined that no events, other than the one stated above, 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*

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

We have audited the financial statements of The ARC of Acadiana, Inc., a nonprofit organization, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 4, 2012. 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.

Internal Control Over Financial Reporting

Management of The ARC of Acadiana, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The ARC of Acadiana, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The ARC of Acadiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The ARC of Acadiana, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting as item 2012-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ARC of Acadiana, Inc.'s financial statements are free of 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 the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit The ARC of Acadiana, Inc.'s response and, accordingly, we express no opinion on it.

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.

LaPorte

A Professional Accounting Corporation

October 4, 2012

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

For the Year Ended June 30, 2012

Part I - Summary of Auditor's Results

Financial Statements

1.	Type of auditors' report	Unqualified
2.	Internal control over financial reporting	
	a. Material weaknesses identified	None
	b. Significant deficiencies identified not considered to be material weaknesses	Yes
	c. Noncompliance material to the financial statements noted	None

Federal Awards - Not applicable

Part II - Financial Statement Findings Section

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.

Managements Response: It is not financially feasible at this time to add an additional clerical person in Lafayette Day Program to handle deposits and/or invoicing until our growth warrants us to do so.

2011-1 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 2012-1

2011-2 Louisiana Department of Health and Hospitals Review Findings

Finding: The Louisiana Department of Health and Hospitals (LDHH) performed a review of ARC's Medicaid reimbursement claims and notified ARC of an adjustment to certain previously paid claims based on findings as a result of their review.

Recommendation: ARC should work with the Louisiana Department of Health and Hospitals to resolve the dispute with LDHH and ensure that billing practices are followed in the future.

Current Status: Resolved - After performing a review of the initial claims adjustment, the LDHH provided a letter dated September 5, 2012, reducing the adjustment to certain previously paid claims significantly. ARC intends to pay the reduced claim adjustment during the year ending June 30, 2013.

The LDHH has replaced the programs where the findings occurred with a new program, Community Choice Waiver. This new program implemented by the LDHH has also streamlined the documentation process for providers, such as ARC, leading to more accurate reimbursement requests.