

THE ARC OF CADDO-BOSSIER
SHREVEPORT, LOUISIANA
JUNE 30, 2012

THE ARC OF CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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November 12, 2012

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of The Arc of Caddo-Bossier at June 30, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Arc's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Arc's 2011 consolidated financial statements and, in our report dated November 28, 2011, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of Caddo-Bossier at June 30, 2012, and the consolidated changes in its net assets and cash flows for the year 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 a report dated November 12, 2012, on our consideration of the Arc's internal control over financial reporting and 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 the 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.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on Pages 15 and 16 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to

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the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Heard, McElroy & Vestal, LLC

THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

<u>ASSETS</u>	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Restricted and Designated</u>
Cash and cash equivalents	569,251	56,366
Investments-Notes 8 and 9	5,247,847	2,303,989
Accounts receivable-Note 4	2,046,789	-
Prepaid expenses and other assets	63,739	-
Land, building and equipment-Note 5	-	-
<u>Less-accumulated depreciation</u>	<u>-</u>	<u>-</u>
Total assets	<u>7,927,626</u>	<u>2,360,355</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	102,645	-
Accrued payroll and bonus	305,148	-
Accrued expenses	<u>26,012</u>	<u>-</u>
Total liabilities	433,805	-
<u>Net assets-Note 3</u>	<u>7,493,821</u>	<u>2,360,355</u>
Total liabilities and net assets	<u>7,927,626</u>	<u>2,360,355</u>

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

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2012	June 30, 2011
-	625,617	723,046
-	7,551,836	7,169,964
-	2,046,789	1,899,078
-	63,739	571,720
8,304,498	8,304,498	8,705,271
<u>(4,863,475)</u>	<u>(4,863,475)</u>	<u>(5,001,659)</u>
<u>3,441,023</u>	<u>13,729,004</u>	<u>14,067,420</u>
-	102,645	110,527
-	305,148	801,272
-	<u>26,012</u>	<u>25,033</u>
-	433,805	936,832
<u>3,441,023</u>	<u>13,295,199</u>	<u>13,130,588</u>
<u>3,441,023</u>	<u>13,729,004</u>	<u>14,067,420</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Permanently Restricted, Temporarily Restricted, and Designated</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	270,862	-
Title XIX	12,169,539	-
United Way	73,161	-
Contributions	236,149	87,757
Service fees	512,958	-
Other public support	40,994	-
Total public support	<u>13,303,663</u>	<u>87,757</u>
 <u>Revenue:</u>		
Sales revenue	3,209,442	80,713
Membership dues	11,235	-
Investment income (loss)-Note 8	294,551	65,368
Other income	33,207	-
Total revenue	<u>3,548,435</u>	<u>146,081</u>
 Total public support and revenue	 16,852,098	 233,838
 <u>Expenses:</u>		
Adult services	3,878,274	86,085
Children services	906,092	8,084
Residential services	10,025,591	-
Advocacy services	109,169	-
Leisure services	161,816	-
Management and general	1,353,485	47,216
Total expenses	<u>16,434,427</u>	<u>141,385</u>
 <u>Change in net assets</u>	 417,671	 92,453
 <u>Net assets-beginning of year</u> -Note 3	 6,995,267	 2,431,709
Transfers-Note 3	80,883	(163,807)
	<u>7,076,150</u>	<u>2,267,902</u>
 <u>Net assets-end of year</u> -Note 3	 <u>7,493,821</u>	 <u>2,360,355</u>

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

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2012	June 30, 2011
-	270,862	398,470
-	12,169,539	11,913,554
-	73,161	78,605
-	323,906	326,338
-	512,958	465,464
-	40,994	41,765
-	<u>13,391,420</u>	<u>13,224,196</u>
-	3,290,155	3,206,647
-	11,235	7,265
-	359,919	1,372,663
-	33,207	133,171
-	<u>3,694,516</u>	<u>4,719,746</u>
-	17,085,936	17,943,942
143,171	4,107,530	4,069,318
41,667	955,843	1,029,115
65,378	10,090,969	10,041,269
335	109,504	160,496
52,291	214,107	218,496
42,671	1,443,372	1,602,251
<u>345,513</u>	<u>16,921,325</u>	<u>17,120,945</u>
(345,513)	164,611	822,997
3,703,612	13,130,588	12,307,591
82,924	-	-
<u>3,786,536</u>	<u>13,130,588</u>	<u>12,307,591</u>
<u>3,441,023</u>	<u>13,295,199</u>	<u>13,130,588</u>

THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
Salaries	2,476,613	661,979	7,412,365
Payroll taxes	198,819	53,154	616,267
Other employee expenses-Note 7	<u>399,051</u>	<u>69,018</u>	<u>495,197</u>
Total salaries and payroll related expenses	3,074,483	784,151	8,523,829
Professional	10,264	2,118	6,988
Insurance	62,919	1,745	53,108
Licenses	575	180	298,588
Office expense	10,289	2,920	13,469
Postage and publication	1,690	132	373
Dues and subscriptions	1,213	178	909
Telephone	13,490	3,694	17,334
Repairs and maintenance	122,933	13,751	152,019
Building services	10,619	2,147	31,295
Training	3,655	1,655	8,965
Travel and conventions	5,163	1,032	148,482
Operating supplies	310,033	30,594	5,020
Utilities	112,422	11,612	100,179
Rent	-	-	-
Vehicle and equipment lease	91,085	7,652	98,886
Property tax	-	-	-
Food	37	43,307	137,153
Household supplies	-	6,153	35,522
Clothing	-	-	19,009
Personal necessities	-	-	21,014
Medical and therapy	-	-	59,179
Transportation and outing	-	-	6,522
Consultant fees	-	923	200,706
Other	<u>133,489</u>	<u>232</u>	<u>87,042</u>
Total other expenses before depreciation	<u>889,876</u>	<u>130,025</u>	<u>1,501,762</u>
Total expenses before depreciation	3,964,359	914,176	10,025,591
<u>Depreciation expense</u>	<u>143,171</u>	<u>41,667</u>	<u>65,378</u>
<u>Total expenses</u>	<u>4,107,530</u>	<u>955,843</u>	<u>10,090,969</u>

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

Advocacy Services	Leisure Services	Management and General	Total All Funds Memorandum Only)	
			June 30, 2012	June 30, 2011
94,333	84,495	825,859	11,555,644	11,460,358
7,513	6,227	60,789	942,769	906,363
<u>5,945</u>	<u>5,935</u>	<u>107,612</u>	<u>1,082,758</u>	<u>1,237,147</u>
107,791	96,657	994,260	13,581,171	13,603,868
-	1,145	101,547	122,062	155,955
-	11,504	57,395	186,671	207,784
-	-	-	299,343	293,267
13	1,496	69,784	97,971	112,215
-	-	9,877	12,072	11,074
-	928	23,235	26,463	26,358
572	2,537	6,494	44,121	69,133
-	902	22,851	312,456	347,537
-	3,854	17,511	65,426	57,151
-	-	3,355	17,630	20,018
743	3,551	6,565	165,536	183,963
-	26,931	11,857	384,435	411,561
-	4,262	11,622	240,097	238,873
-	3	-	3	3
-	1,695	50,868	250,186	243,358
-	-	911	911	175
-	62	2,867	183,426	171,578
-	-	604	42,279	43,347
-	-	-	19,009	12,023
-	-	-	21,014	24,759
-	-	2,534	61,713	57,447
-	-	-	6,522	16,872
-	3,977	-	205,606	258,711
<u>50</u>	<u>2,312</u>	<u>6,564</u>	<u>229,689</u>	<u>237,774</u>
<u>1,378</u>	<u>65,159</u>	<u>406,441</u>	<u>2,994,641</u>	<u>3,199,236</u>
109,169	161,816	1,400,701	16,575,812	16,803,104
<u>335</u>	<u>52,291</u>	<u>42,671</u>	<u>345,513</u>	<u>317,841</u>
<u>109,504</u>	<u>214,107</u>	<u>1,443,372</u>	<u>16,921,325</u>	<u>17,120,945</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	164,611	822,997
Adjustments to reconcile change in net assets to net cash (used) provided by operating expenses:		
Depreciation	345,513	317,841
Net realized and unrealized (gains) losses on investments	(8,349)	(1,081,307)
(Increase) in accounts receivable	(147,711)	(436,529)
Decrease (increase) in prepaid expenses and other assets	507,981	(533,710)
(Decrease) in accounts payable	(7,882)	(108,406)
Increase (decrease) in payroll liabilities	(496,124)	173,829
Increase (decrease) in accrued expenses	<u>979</u>	<u>(42)</u>
Total adjustments	<u>194,407</u>	<u>(1,668,324)</u>
Net cash provided (used) by operating activities	359,018	(845,327)
<u>Cash flows from investing activities:</u>		
Net purchase of investments	(373,523)	(386,208)
Purchase of fixed assets	<u>(82,924)</u>	<u>(410,976)</u>
Net cash (used) by investing activities	<u>(456,447)</u>	<u>(797,184)</u>
<u>Net (decrease) in cash and cash equivalents</u>	(97,429)	(1,642,511)
<u>Cash and cash equivalents at beginning of year</u>	<u>723,046</u>	<u>2,365,557</u>
<u>Cash and cash equivalents at end of year</u>	<u>625,617</u>	<u>723,046</u>
<u>Supplemental disclosures:</u>		
Cash paid for interest	<u>-</u>	<u>-</u>

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

THE ARC OF CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

1. Nature of Business.

The Arc of Caddo-Bossier is a not-for-profit public service association. Revenues are derived primarily from the following:

- a) State of Louisiana, generally under third-party reimbursement plans
- b) Title XIX, under third-party reimbursement plans
- c) Service fees
- d) Contributions from the general public
- e) Contract work by the handicapped clients for various types of companies
- f) Investment income

The Arc provides services to the mentally handicapped of all ages in northwest Louisiana, as follows:

- a) Adult Services – provides day habilitation and employment for full and part-time adult workers with disabilities, generally in custodial, linen, filter and lawn services, and through sheltered employment and employment-related training.
- b) Children Services – provides childcare and developmentally appropriate educational experiences to enrolled children aged six weeks to five years of age, both with and without disabilities.
- c) Residential Services – provides an array of community living services for children and adults with disabilities and their families, including supported independent living, long-term personal care, personal care attendant, respite care, and elderly disabled adult waiver.
- d) Advocacy Services – provides support, coordination, and leadership for advocacy by furnishing information to the public on education, jobs, family support, public policy, and government-provided services.
- e) Leisure Services – provides therapeutic services to adults and children with disabilities through horseback riding.

2. Summary of Significant Accounting Policies.

a) Financial Statement Presentation:

The Arc is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of The Arc and changes therein may be classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 3.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc and/or by the passage of time. Temporarily restricted net assets are detailed in Note 3.

2. Summary of Significant Accounting Policies. (Continued)

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by The Arc. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. Permanently restricted net assets are detailed in Note 3.

b) Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Arc uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

d) Investments:

The Arc accounts for investments at fair value.

e) 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.

f) Land, Building and Equipment:

Land, building and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of \$5,000 are capitalized.

g) Advertising Costs:

Costs of advertising are expensed as incurred.

h) Consolidation:

The financial statements include the accounts of The Arc; The Arc of Caddo-Bossier Foundation, a not-for-profit corporation formed in 1997; and Greenwood Equestrian Assisted Therapies (GREAT), a not-for-profit corporation that uses horseback riding as a therapeutic aid to handicapped children. GREAT merged with The Arc in 2001, with approximate net assets of \$25,000. All significant intercompany transactions have been eliminated in the consolidated financial statements.

2. Summary of Significant Accounting Policies. (Continued)

i) Income Taxes:

As a nonprofit, privately supported organizations, both The Arc and the Foundation are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but each must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Arc and the Foundation are required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they continue to qualify as tax-exempt entities. They must also consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax-exempt entities, they must assess whether they have any tax positions associated with unrelated business income subject to income tax. Neither entity expects these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

The Arc and the Foundation are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

j) Functional Expenses:

Certain functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fund-raising expenses, amounting to approximately \$21,000, are included in Management and General expenses.

k) Cash Equivalents:

For purposes of the statement of cash flows, The Arc considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

l) Compensated Absences:

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
Less than three months	None
From four months to one year	Eleven days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

m) Trade Receivables from Contract Work:

Trade receivables from contract work, service fees, and other third-party reimbursement plans and service fees that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount, less any related allowance for doubtful receivables. Management periodically reviews its outstanding receivables for collectibility, and has determined that no allowance is necessary at June 30, 2012. Past due status of receivables is based on their

2. Summary of Significant Accounting Policies. (Continued)

contractual terms. Amounts received under third-party reimbursement plans are subject to adjustment by the payor, and also may be subject to subsequent audit. Management believes the possibility of adjustments of material amount is remote.

n) Prior Year Financial Information:

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's consolidated financial statements for the year ended June 30, 2011, from which the summarized information was derived.

3. Net Assets.

Net assets include restricted and board-designated amounts and activity, summarized as follows:

	<u>June 30,</u> <u>2011</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>June 30,</u> <u>2012</u>
<u>Permanently Restricted:</u>					
The Arc of Caddo-Bossier Foundation	50,000	-	-	-	50,000
<u>Temporarily Restricted:</u>					
The Arc of Caddo-Bossier Foundation	322,770	84,816	39,600	-	367,986
McCrery Scholarship	46,399	1,994	8,084	-	40,309
GREAT Facility	-	947	-	(947)	-
	<u>369,169</u>	<u>87,757</u>	<u>47,684</u>	<u>(947)</u>	<u>408,295</u>
<u>Designated:</u>					
The Arc of Caddo-Bossier Foundation	864,707	65,368	7,616	-	922,459
Adult Services	21,429	80,713	86,085	-	16,057
Worker's compensation	<u>1,126,404</u>	-	-	<u>(162,860)</u>	<u>963,544</u>
	<u>2,012,540</u>	<u>146,081</u>	<u>93,701</u>	<u>(162,860)</u>	<u>1,902,060</u>
	<u>2,431,709</u>	<u>233,838</u>	<u>141,385</u>	<u>(163,807)</u>	<u>2,360,355</u>

4. Accounts Receivable.

Accounts receivable due The Arc at year end are as follows:

	<u>2012</u>	<u>2011</u>
Contract work	611,700	463,071
State of Louisiana	11,073	20,033
Title XIX	1,226,463	1,196,758
Other	197,553	219,216
Total	<u>2,046,789</u>	<u>1,899,078</u>

Receivables from contract work arise from credit granted to various businesses located in the Shreveport and east Texas area. Receivables from the State of Louisiana arise from funds due The Arc under various grants, and which are unpaid as of the end of the fiscal year.

5. **Land, Building and Equipment.**

Land, building and equipment is composed of the following:

<u>June 30, 2012</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	433,212	-	433,212
Buildings	3,454,962	2,074,387	1,380,575
Furniture and equipment	2,528,567	1,825,709	702,858
Vehicles	360,163	194,151	166,012
Improvements	<u>1,527,594</u>	<u>769,228</u>	<u>758,366</u>
Totals	<u>8,304,498</u>	<u>4,863,475</u>	<u>3,441,023</u>

June 30, 2011

Land	653,212	-	653,212
Buildings	3,522,739	1,982,618	1,540,121
Furniture and equipment	2,870,962	2,128,480	742,482
Vehicles	206,693	167,776	38,917
Improvements	<u>1,451,665</u>	<u>722,785</u>	<u>728,880</u>
Totals	<u>8,705,271</u>	<u>5,001,659</u>	<u>3,703,612</u>

6. **Commitments.**

The Arc leases many of its vehicles and equipment, generally over one to five year terms, under operating lease arrangements. Future minimum lease payments for the years ending June 30 are as follows:

2013	224,175
2014	157,746
2015	93,196
2016	40,390
2017	<u>6,111</u>
	<u>521,618</u>

7. **Other Employee Expenses.**

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% employer match for employee contributions up to 2% of employee salary. The Arc made no contributions to this plan for the years ending June 30, 2012 and 2011.

8. **Investments.**

Investments at June 30, 2012 and 2011, are summarized as follows:

8. **Investments.** (Continued)

	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2012</u>			
Bond funds	1,892,000	1,963,653	71,653
Equity funds	5,577,885	5,438,682	(139,203)
Money funds	<u>149,502</u>	<u>149,502</u>	<u>-</u>
	<u>7,619,387</u>	<u>7,551,837</u>	<u>(67,550)</u>
<u>June 30, 2011</u>			
Bond funds	1,683,582	1,747,501	63,919
Equity funds	4,745,766	5,270,746	524,980
Money funds	<u>151,717</u>	<u>151,717</u>	<u>-</u>
	<u>6,581,065</u>	<u>7,169,964</u>	<u>588,899</u>

Investment income (loss) for 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	351,570	291,356
Net realized gains	664,798	130,349
Net unrealized gains (losses)	<u>(656,449)</u>	<u>950,958</u>
	<u>359,919</u>	<u>1,372,663</u>

9. **Line of Credit and Borrowings.**

The Arc has a line of credit with a local bank, expiring January 2013, with a maximum borrowing limit of \$100,000. The credit line is secured by an investment brokerage account having an estimated market value of \$6,254,000 at June 30, 2012. Interest is variable, based on 2.00% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2012.

10. **Conditional Promises.**

Conditional promises consist of the unfunded portions of approved governmental grants, either currently in effect or approved for commencement after June 30, 2012. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately \$123,000 at June 30, 2012.

11. **Related Party Transactions.**

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.h, the Arc controls, but has no financial or economic interest in, Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development. Summarized financial data for this entity follows:

11. Related Party Transactions. (Continued)

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Net Assets
June 30, 2012

Current assets	49,313
Fixed assets, net	370,107
Other assets	<u>59,351</u>
Total assets	<u>478,771</u>
Current liabilities	38,352
Long-term debt, less current portion	<u>672,833</u>
Total liabilities	711,185
Net assets (deficit)	<u>(232,414)</u>
Total liabilities and net assets	<u>478,771</u>

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Activities
For the Year Ended June 30, 2012

Income	240,767
Expenses	<u>210,526</u>
Change in net assets	30,241
Net assets (deficit), beginning	<u>(262,655)</u>
Net assets (deficit), ending	<u>(232,414)</u>

Transactions between all entities related to the Arc for the year ended June 30, 2012 are summarized below:

	<u>The Arc of Caddo-Bossier</u>	<u>The Arc of Caddo-Bossier Foundation</u>	<u>GREAT</u>	<u>Louisiana Disabled Persons Housing Corporation</u>
Due from (to)	<u>844,995</u>	<u>-</u>	<u>(690,168)</u>	<u>(154,827)</u>

12. Fair Value Measurements.

The following tables present The Arc's fair value hierarchy for assets measured at fair value on a recurring basis at June 30, 2012 and 2011:

	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Value</u>
<u>2012</u>				
Money market funds	149,502	-	-	149,502
Mutual funds	5,438,682	-	-	5,438,682
Exchange traded funds	<u>1,963,653</u>	<u>-</u>	<u>-</u>	<u>1,963,653</u>
Total	<u>7,551,837</u>	<u>-</u>	<u>-</u>	<u>7,551,837</u>

12. **Fair Value Measurements.** (Continued)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
<u>2011</u>				
Money market funds	151,717	-	-	151,717
Mutual funds	5,457,601	-	-	5,457,601
Exchange traded funds	1,559,583	-	-	1,559,583
Equities	<u>1,063</u>	<u>-</u>	<u>-</u>	<u>1,063</u>
Total	<u>7,169,964</u>	<u>-</u>	<u>-</u>	<u>7,169,964</u>

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1). Fair values for other investments are determined by reference to net asset values that are based on other observable inputs (Level 2).

13. **Subsequent Events.**

The Arc and the Foundation are required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the consolidated financial statements. Each entity performed such an evaluation through November 12, 2012, the date which the consolidated financial statements were available to be issued, and noted no such subsequent events, except as explained in the following paragraph.

The Arc Caddo-Bossier Foundation amended its articles of incorporation in such a manner as to no longer require consolidation in the financial statements of the Arc of Caddo-Bossier. Effective July 1, 2012, the Foundation will issue its own annual financial statements, and will not be included in those of the Arc, except to the extent of the beneficial interest that the Arc has in the Foundation's net assets.

SUPPLEMENTARY INFORMATION

THE ARC OF CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	18,172	191,317	61,373
Title XIX	1,078,242	-	11,091,297
United Way	-	73,161	-
Contributions	104,695	56,908	1,000
Service fees	-	468,759	2,390
Other public support	-	40,994	-
Total public support	<u>1,201,109</u>	<u>831,139</u>	<u>11,156,060</u>
<u>Revenue:</u>			
Sales revenue	3,290,144	-	-
Membership dues	-	-	-
Investment income (loss)	-	-	-
Other income	4,196	2,779	22,603
Total revenue	<u>3,294,340</u>	<u>2,779</u>	<u>22,603</u>
Total public support and revenue	4,495,449	833,918	11,178,663
Total salaries and payroll related expenses	3,074,483	784,151	8,523,829
Total other expenses before depreciation	<u>889,876</u>	<u>130,025</u>	<u>1,501,762</u>
Total expenses before depreciation	3,964,359	914,176	10,025,291
Depreciation expense	<u>143,171</u>	<u>41,667</u>	<u>65,378</u>
Total expenses	<u>4,107,530</u>	<u>955,843</u>	<u>10,090,969</u>
Change in net assets	<u>387,919</u>	<u>(121,925)</u>	<u>1,087,694</u>

<u>Advocacy Services</u>	<u>Leisure Services</u>	<u>Management and General</u>	<u>Total</u>
-	-	-	270,862
-	-	-	12,169,539
-	-	-	73,161
-	72,619	88,684	323,906
-	41,809	-	512,958
-	-	-	40,994
<u>-</u>	<u>114,428</u>	<u>88,684</u>	<u>13,391,420</u>
-	-	11	3,290,155
-	-	11,235	11,235
-	32	359,887	358,919
<u>(69)</u>	<u>3,191</u>	<u>507</u>	<u>33,207</u>
<u>(69)</u>	<u>3,223</u>	<u>371,640</u>	<u>3,694,516</u>
(69)	117,651	460,324	17,085,936
107,791	96,657	994,260	13,581,171
<u>1,378</u>	<u>65,159</u>	<u>406,441</u>	<u>2,994,641</u>
109,169	161,816	1,400,701	16,575,812
<u>335</u>	<u>52,291</u>	<u>42,671</u>	<u>345,513</u>
<u>109,504</u>	<u>214,107</u>	<u>1,443,372</u>	<u>16,921,325</u>
<u>(109,573)</u>	<u>(96,456)</u>	<u>(983,048)</u>	<u>164,611</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-
ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Adult Services Per Books</u>	<u>Eliminations Increase (Decrease)</u>	<u>Adult Services Per Report</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	18,172	-	18,172
Title XIX	1,078,242	-	1,078,242
Contributions	104,695	-	104,695
Service fees	<u>223,510</u>	<u>(223,510)</u>	<u>-</u>
Total public support	1,424,619	(223,510)	1,201,109
 <u>Revenue:</u>			
Sales revenue	3,290,144	-	3,290,144
Other income	<u>4,196</u>	<u>-</u>	<u>4,196</u>
Total revenue	<u>3,294,340</u>	<u>-</u>	<u>3,294,340</u>
 Total public support and revenue	 4,718,959	 (223,510)	 4,495,449
 Total salaries and payroll related expenses	 3,074,483	 -	 3,074,483
 Total other expenses before depreciation	 <u>889,876</u>	 <u>-</u>	 <u>889,876</u>
 Total expenses before depreciation	 3,964,359	 -	 3,964,359
 Depreciation expense	 <u>143,171</u>	 <u>-</u>	 <u>143,171</u>
 Total expenses	 <u>4,107,530</u>	 <u>-</u>	 <u>4,107,530</u>
 Change in net assets	 <u>611,429</u>	 <u>(223,510)</u>	 <u>387,919</u>

<u>Residential Services Per Books</u>	<u>Eliminations Increase (Decrease)</u>	<u>Residential Services Per Report</u>
61,373	-	61,373
11,091,297	-	11,091,297
1,000	-	1,000
2,390	-	2,390
<u>-</u>	<u>-</u>	<u>-</u>
11,156,060	-	11,156,060
-	-	-
<u>22,603</u>	<u>-</u>	<u>22,603</u>
<u>22,603</u>	<u>-</u>	<u>22,603</u>
11,178,663	-	11,178,663
8,523,829	-	8,523,829
<u>1,725,272</u>	<u>(223,510)</u>	<u>1,501,762</u>
10,249,101	(223,510)	10,025,591
<u>65,378</u>	<u>-</u>	<u>65,378</u>
<u>10,314,479</u>	<u>(223,510)</u>	<u>10,090,969</u>
<u>864,184</u>	<u>(223,510)</u>	<u>1,087,694</u>

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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November 12, 2012

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

**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***

We have audited the consolidated financial statements of The Arc of Caddo-Bossier (the Arc), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 12, 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

In planning and performing our audit, we considered the Arc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Arc'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 combination of deficiencies, 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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the consolidated 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 consolidated 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*.

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This report is intended solely for the information and use of the board of directors, management, the State of Louisiana, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLC

THE ARC OF CADDO-BOSSIER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of The Arc of Caddo-Bossier.
2. No material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of The Arc of Caddo-Bossier were disclosed during the audit.
4. The Arc of Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC OF CADDO-BOSSIER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

No matters were reported in the prior year.

THE ARC OF CADDO-BOSSIER
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

No matters were reported.