

# *The Arc Rapides, Inc.*

*Alexandria, Louisiana*

*June 30, 2014*

The Arc Rapides, Inc.

June 30, 2014

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

## Independent Auditor's Report

Board of Directors  
The Arc Rapides, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of The Arc Rapides, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

ROBERT W. DYORAK, C.P.A.

CINDY L. HUMPHRIES, C.P.A.

REBECCA B. MORRIS, C.P.A.

DEBORAH R. DUNN, C.P.A.

MICHAEL A. JONEAU, C.P.A.

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EVELYN RENFROW, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Directors  
The Arc Rapides, Inc.

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 Rapides, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, on our consideration of The Arc Rapides, Inc. 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 Rapides, Inc. internal control over financial reporting and compliance.

*Payne, Moore + Herrington LLP*

Certified Public Accountants  
Alexandria, Louisiana

September 18, 2014

**The Arc Rapides, Inc.**  
**Statement of Financial Position**  
**June 30, 2014**

**Exhibit A**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 394,700
Accounts receivable	177,035
Prepaid expenses	52,484
Accrued interest	5,133
Total Current Assets	629,352
<b>Certificates of Deposit</b>	1,248,914
<b>Property, Plant, and Equipment</b>	
<b>Net of Accumulated Depreciation</b>	956,916
<b>Total Assets</b>	\$ 2,835,182
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 17,346
Accrued liabilities	84,029
Compensated absences	18,853
Total Current Liabilities	120,228
<b>Net Assets</b>	
Unrestricted	2,714,954
Total Net Assets	2,714,954
<b>Total Liabilities and Net Assets</b>	\$ 2,835,182

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

**The Arc Rapides, Inc.  
Statement of Activities  
Year Ended June 30, 2014**

**Exhibit B**

**Revenues, Gains, and Other Support**

Program fees and contracts	
LA/DHH HCBS	\$ 2,051,825
LA/WC LRS	7,677
Production contracts	103,098
Membership dues	90
Contributions	9,010
Grants	59,500
Investment earnings	
Interest income	25,452
Dividend income	42,377
Miscellaneous revenue	23,125
Gain (Loss) on disposal of equipment	3,000
<b>Total Revenues, Gains, and Other Support</b>	<b>2,325,154</b>

**Expenses**

Program Services	
Supported Living	865,642
Supported Employment	249,218
Day Habilitation	169,874
Pre-Vocational	564,786
Food Service	67,339
Supporting Services	
Management and general	448,752
<b>Total Expenses</b>	<b>2,365,611</b>

**Change in Net Assets** (40,457)

**Net Assets, Beginning of Year** 2,755,411

**Net Assets, End of Year** \$ 2,714,954

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

**The Arc Rapides, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

**Exhibit C**

**Cash Flows From Operating Activities**

Change in net assets	\$ (40,457)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	119,090
(Gain) Loss on disposal of equipment	(3,000)
Changes in operating assets and liabilities:	
Accounts receivable	(1,362)
Prepaid expenses	(19,078)
Accrued interest	42
Accounts payable	(2,741)
Accrued liabilities	37,616
Compensated absences	1,632
<b>Cash Provided by (Used in) Operating Activities</b>	<b>91,742</b>

**Cash Flows From Investing Activities**

Investment earnings reinvested	(15,596)
Purchases of certificates of deposit	(672,881)
Proceeds from maturity of certificates of deposit	658,220
Proceeds from the sale of equipment	3,000
Purchase of property, plant, and equipment	(129,009)
<b>Cash Provided by (Used in) Investing Activities</b>	<b>(156,266)</b>

**Cash Flows From Financing Activities**

<b>Cash Flows From Financing Activities</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(64,524)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>459,224</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 394,700</b>

**Additional Required Disclosures:**

1. Management considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. There was no interest paid during the year ended June 30, 2014.
3. There were no income taxes paid during the year ended June 30, 2014.

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

**The Arc Rapides, Inc.**  
**June 30, 2014**

**Notes to Financial Statements**

**1. Nature of Activities and Significant Accounting Policies**

Nature of Activities

The Arc Rapides, Inc. (The Arc), formerly known as Rapides Association for Retarded Citizens, Inc., was incorporated in the State of Louisiana on February 10, 1955 as a non-profit organization to provide education, community based training, and necessary supports designed to culminate in the greatest possible level of independent living for individuals with intellectual and developmental disabilities in Rapides Parish. Programs include:

- Supported Living Program: individualized and family support services offered in homes and apartments that are designed to achieve and/or maintain outcomes of independence, productivity, and community inclusion.
- Supported Employment Program: individualized employment or mobile work crews provided in an integrated competitive work setting.
- Day Habilitation Program: individualized non-employment services that are focused on skill development in socialization, adaptive learning, recreation, and community experiences.
- Pre-Vocational Program: individualized facility-based paid work emphasizing productivity. Paid work is complemented with recreational and community inclusion opportunities.
- Food Service Program: facility-based lunch program for participants.

Primary funding is derived from contracts for services with the State of Louisiana, Department of Health and Human Services. The membership of the organization is open to all citizens of Rapides Parish upon payment of dues.

Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Arc reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At June 30, 2014, The Arc did not have any temporarily or permanently restricted net assets.

**The Arc Rapides, Inc.**  
**June 30, 2014**

**Notes to Financial Statements**

Cash and Cash Equivalents

Cash and cash equivalents include amounts in interest bearing and noninterest bearing checking accounts and an interest bearing savings account.

Accounts Receivable

Accounts receivable are charged to expense when they become uncollectible. In the opinion of management, all accounts receivable at June 30, 2014, were collectible and an allowance for doubtful accounts was not considered necessary.

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year.

Certificates of Deposit

Certificates of deposit have a maturity date in excess of 90 days when purchased and are stated at cost, which approximates market value.

Property, Plant and Equipment

Purchased property and equipment, including improvements thereto, is recorded at acquisition cost. Donated property and equipment is recorded at its fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The Arc has adopted a minimum capitalization threshold for any individual item of \$5,000. Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost.

Compensated Absences

Employees of The Arc are entitled to be paid for accrued time earned as paid time off, depending on job classification, length of service and other factors. Employees are allowed to carryover five days of paid time off to the following year. The Arc accrues a liability for unused paid time off at fiscal year-end.

Revenues and Support

All contributions, grants and fees are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions, grants, and fees received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Fees, contracts, and project revenue are billed and recorded on a monthly basis.

**The Arc Rapides, Inc.**  
**June 30, 2014**

**Notes to Financial Statements**

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Arc generally pays for services requiring specific expertise.

Use of Estimates

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

Income Tax Status

The Arc is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Public Relations

Public relation costs are expensed when incurred. Public relation costs charged to expense for the year ended June 30, 2014, totaled \$8,210.

Subsequent Events

Management has evaluated subsequent events through September 18, 2014, the date which the financial statements were available for issue.

**2. Property, Plant and Equipment**

The following schedule summarizes estimated useful life, cost, and accumulated depreciation of property, plant, and equipment as of June 30, 2014:

	<u>Life</u>	<u>2014</u>
Land		\$ 26,000
Construction in Progress		52,964
Building and improvements	15 – 40 Years	875,915
Vehicles, furniture, and equipment	4 – 10 Years	<u>922,748</u>
		1,877,627
Less: Accumulated depreciation		<u>(920,711)</u>
		\$ 956,916

Depreciation expense for the year ended June 30, 2014, was \$119,090.

**The Arc Rapides, Inc.**  
**June 30, 2014**

**Notes to Financial Statements**

**3. Significant Concentrations of Credit Risk**

The Arc maintains checking accounts, one savings account, and certificates of deposit in various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The organization exceeded FDIC by \$112,069 at June 30, 2014.

**Supplemental Information**

**The Arc Rapides, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2014**

Statement D

	<b>Program Services</b>				<b>Supporting Services</b>		<b>Total</b>
	<b>Supported Living</b>	<b>Supported Employment</b>	<b>Day Habilitation</b>	<b>Pre-Vocational</b>	<b>Food Service</b>	<b>Management and General</b>	
Salaries and wages	\$ 713,618	\$ 155,270	\$ 77,790	\$ 261,321	\$ 20,591	\$ 286,129	\$ 1,514,719
Payroll taxes	105,435	21,097	13,165	35,982	2,666	43,549	221,894
Employee benefits	11,744	15,507	483	8,451	738	31,478	68,401
Personnel related expenses	4,600	617	1,759	2,562	40	1,535	11,113
Communications	1,603	2,133	2,146	4,246	394	7,510	18,032
Computer and software	75	-	726	-	-	2,990	3,791
Contract services	-	886	886	3,767	-	21,713	27,252
Dues and subscriptions	-	-	-	-	-	7,765	7,765
Equipment	341	3,833	730	476	32	2,201	7,613
Food expense	-	-	-	-	35,935	-	35,935
Insurance	10,178	2,572	3,364	8,888	640	5,370	31,012
Postage and freight	-	-	-	-	-	399	399
Printing and copying	-	-	108	-	-	683	791
Production expenses	-	862	-	12,856	-	-	13,718
Program expenses	1,234	1,509	2,053	5,115	3	4,924	14,838
Public relations	-	1,550	412	3,611	-	2,637	8,210
Supplies	822	1,942	1,809	4,883	281	14,208	23,945
Training and in-service	1,529	1,292	230	222	731	1,353	5,357
Transportation	-	17,303	28,838	99,223	-	-	145,364
Travel	12,233	1,692	125	80	-	4,789	18,919
Utilities	933	5,597	9,323	25,188	1,866	3,731	46,638
Property expenses	383	2,303	3,839	10,570	1,592	2,128	20,815
Depreciation	914	13,253	22,088	77,345	1,830	3,660	119,090
Total Expenses	<u>\$ 865,642</u>	<u>\$ 249,218</u>	<u>\$ 169,874</u>	<u>\$ 564,786</u>	<u>\$ 67,339</u>	<u>\$ 448,752</u>	<u>\$ 2,365,611</u>

See independent auditor's report.

**Other Report Required by *Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
The Arc Rapides, Inc.

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 Rapides, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 September 18, 2014.

**Internal Control Over Financial Reporting**

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

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

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

ROBERT W. DYORAK, C.P.A.      CINDY L. HUMPHRIES, C.P.A.  
REBECCA B. MORRIS, C.P.A.      DEBORAH R. DUNN, C.P.A.  
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EVELYN RENFROW, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Directors  
The Arc Rapides, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Arc Rapides, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Payne, Moore & Herrington, LLP*

Payne, Moore & Herrington, LLP  
Alexandria, Louisiana

September 18, 2014

**The Arc Rapides, Inc.  
Schedule of Findings and Responses  
Year Ended June 30, 2014**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ Yes	<u>  X  </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u>  X  </u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u>  X  </u> No	
Other matters reported, as required by <i>Government Auditing Standards</i> ?	_____ Yes	<u>  X  </u> No	
<i>Management’s Corrective Action Plan</i>	None		
<i>Management’s Summary Schedule of Prior Audit Findings</i>	None		
<i>Memorandum of Other Comments and Recommendations</i>	None Issued		

**Section II - Financial Statement Findings**

None.