

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY**  
**INFORMATION FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/16/11

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# Silva Gurtner & Abney

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Arc of Greater New Orleans, Inc.  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of The Arc of Greater New Orleans, Inc., a Louisiana not-for-profit corporation, (the Organization) as of June 30, 2010, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Arc of Greater New Orleans, Inc. as of June 30, 2009, were audited by other auditors whose report dated December 23, 2009, expressed an unqualified opinion on those statements.

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 combined 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Greater New Orleans Inc. as of June 30, 2010, and the changes in its net assets and its 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 19, 2010 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of The Arc of Greater New Orleans, Inc. taken as a whole. The schedules of state and local awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Silva Gurtner & Abney, LLC*

November 19, 2010

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)**

	2010	2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 644,909	\$ 553,647
Accounts receivable	1,166,876	1,421,907
Accounts receivable - unconditional promises to give	103,556	119,997
Prepaid expenses	62,165	71,801
Other assets	7,969	3,374
<b>Total current assets</b>	<b>1,985,475</b>	<b>2,170,726</b>
<b>Property and equipment, net</b>	<b>1,096,093</b>	<b>1,179,689</b>
<b>Total assets</b>	<b>\$ 3,081,568</b>	<b>\$ 3,350,415</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 244,326	\$ 341,265
Current maturities of long-term debt	49,516	58,072
<b>Total current liabilities</b>	<b>293,842</b>	<b>399,337</b>
<b>Long-term debt</b>		
Long-term debt, net of current maturities	614,963	664,674
<b>Net assets</b>		
Unrestricted	2,006,389	2,166,407
Temporarily restricted	166,374	119,997
<b>Total net assets</b>	<b>2,172,763</b>	<b>2,286,404</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,081,568</b>	<b>\$ 3,350,415</b>

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

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and revenues</b>				
<b>Support</b>				
Government grants and contracts	\$ 1,346,840	\$ 62,818	\$ 1,409,658	\$ 1,306,669
Contributions	339,087	-	339,087	327,202
<b>Other:</b>				
United Way allocations	-	103,556	103,556	209,481
United Way designations	-	-	-	24,669
CFC designations	-	-	-	8,305
<b>Total support</b>	<b>1,685,927</b>	<b>166,374</b>	<b>1,852,301</b>	<b>1,876,326</b>
<b>Revenues</b>				
Client fees	2,970,175	-	2,970,175	3,268,168
Medicaid	4,840,207	-	4,840,207	4,201,314
Group home	244,959	-	244,959	228,470
Interest income	2,652	-	2,652	2,046
Other income	432,582	-	432,582	1,330,413
<b>Total revenues</b>	<b>8,490,575</b>	<b>-</b>	<b>8,490,575</b>	<b>9,030,411</b>
<b>Net assets released from restrictions</b>				
Restrictions satisfied by payments	119,997	(119,997)	-	-
<b>Total support and revenues</b>	<b>10,296,499</b>	<b>46,377</b>	<b>10,342,876</b>	<b>10,906,737</b>
<b>Expenses</b>				
<b>Program services</b>				
Children's services	654,919	-	654,919	690,787
Employment services	196,801	-	196,801	195,518
Individual options	1,244,062	-	1,244,062	958,376
Project H.E.L.P.	3,088,202	-	3,088,202	2,928,291
Operations department	3,976,810	-	3,976,810	4,604,558
Family service coordination	288,860	-	288,860	337,722
<b>Supporting services</b>				
Management and general	983,323	-	983,323	1,145,361
Fundraising	6,746	-	6,746	-
Payments to affiliates	16,794	-	16,794	15,923
<b>Total expenses</b>	<b>10,456,517</b>	<b>-</b>	<b>10,456,517</b>	<b>10,876,536</b>
<b>Changes in net assets</b>	<b>(160,018)</b>	<b>46,377</b>	<b>(113,641)</b>	<b>30,201</b>
<b>Net assets at beginning of year</b>	<b>2,166,407</b>	<b>119,997</b>	<b>2,286,404</b>	<b>2,256,203</b>
<b>Net assets at end of year</b>	<b>\$ 2,006,389</b>	<b>\$ 166,374</b>	<b>\$ 2,172,763</b>	<b>\$ 2,286,404</b>

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

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Program Services					Supporting Services			Total
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Family Services Coordination	Management and General	Fundraising	
Salaries	\$ 387,414	\$ 140,901	\$ 686,332	\$ 2,516,752	\$ 2,349,540	\$ 151,133	\$ 515,789	\$ -	\$ 6,747,861
Benefits	31,019	10,487	77,476	171,620	165,403	19,787	50,756	-	526,548
Payroll taxes	31,748	11,161	55,503	205,536	189,183	11,215	38,686	-	543,032
Professional services	1,095	320	2,887	6,468	56,943	6,640	39,273	-	113,626
Supplies	93,018	2,580	8,657	5,997	184,744	74,528	21,270	-	390,794
Telephone	1,943	3,835	12,283	10,400	26,612	2,371	8,782	-	66,226
Postage	2,139	90	90	1,177	244	378	5,712	-	9,830
Occupancy	79,155	6,748	192,483	55,786	282,769	12,778	39,963	-	669,682
Repairs and maintenance	17,616	2,569	70,660	19,221	82,296	2,240	17,916	-	212,518
Local transportation	2,487	6,438	73,475	77,872	295,148	5,988	14,313	-	475,721
Travel, conferences and training	1,032	176	1,633	2,921	16,329	148	4,489	-	26,728
Printing and publications	224	60	802	780	1,319	437	1,453	-	5,075
Membership dues	-	-	-	-	-	-	4,467	-	4,467
Other expenses	4,906	11,295	42,078	9,638	182,902	1,165	201,718	6,746	460,448
Payments to affiliates	-	-	-	-	-	-	-	16,794	16,794
Public relations	-	-	-	-	-	-	13,046	-	13,046
Depreciation	1,123	141	19,703	4,034	143,378	52	5,690	-	174,121
	<u>\$ 654,919</u>	<u>\$ 196,801</u>	<u>\$ 1,244,062</u>	<u>\$ 3,088,202</u>	<u>\$ 3,976,810</u>	<u>\$ 288,860</u>	<u>\$ 983,323</u>	<u>\$ 23,540</u>	<u>\$ 10,456,517</u>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Program Services					Supporting Services			Total
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Family Services Coordination	Management and General	Fundraising	
Salaries	\$ 426,810	\$ 135,729	\$ 562,155	\$ 2,418,383	\$ 2,528,780	\$ 113,821	\$ 568,077	\$ -	\$ 6,753,755
Benefits	31,643	10,052	54,178	67,762	145,634	12,343	47,022	-	368,634
Payroll taxes	31,187	11,842	48,514	235,293	236,095	8,726	43,933	-	615,590
Professional services	12,979	248	2,070	6,175	83,057	6,554	59,320	-	170,403
Supplies	77,961	5,771	10,967	44,489	331,681	173,679	37,649	-	682,197
Telephone	1,943	4,229	5,055	9,172	37,326	1,676	10,721	-	70,122
Postage	1,304	83	130	1,407	535	231	4,154	-	7,844
Occupancy	74,419	6,514	114,463	61,241	326,751	12,844	44,982	-	641,214
Repairs and maintenance	18,894	2,635	41,364	16,495	194,706	2,110	25,229	-	301,433
Local transportation	2,465	5,631	47,351	50,893	454,557	4,268	16,611	-	581,776
Travel, conferences and training	2,006	10,008	3,537	3,921	45,273	674	24,399	-	89,818
Printing and publications	-	187	426	2,241	2,113	463	183	-	5,613
Membership dues	-	210	-	-	-	-	7,271	-	7,481
Other expenses	8,053	2,238	50,848	6,785	69,013	281	231,179	-	368,397
Payments to affiliates	-	-	-	-	-	-	-	15,923	15,923
Public relations	-	-	-	-	-	-	-	-	19,316
Depreciation	1,123	141	17,318	4,034	149,037	52	5,315	-	177,020
	<u>\$ 690,787</u>	<u>\$ 195,518</u>	<u>\$ 958,376</u>	<u>\$ 2,928,291</u>	<u>\$ 4,604,558</u>	<u>\$ 337,722</u>	<u>\$ 1,145,361</u>	<u>\$ 15,923</u>	<u>\$ 10,876,536</u>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**STATEMENT OF CASH FLOWS**  
**JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (113,641)	\$ 30,201
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	174,121	177,020
(Gain) Loss on sale/disposal of property and equipment	(3,992)	205
Changes in operating assets:		
Accounts receivable	255,031	458,420
Accounts receivable - unconditional promises to give	16,441	(119,997)
Prepaid expenses	9,636	(38,240)
Other assets	(4,595)	1,443
Changes in operating liabilities:		
Accounts payable and accrued expenses	(96,939)	150,690
Net cash provided by operating activities	236,062	659,742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(94,833)	(154,330)
Proceeds from sale of property and equipment	8,300	600
Net cash used in investing activities	(86,533)	(153,730)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan advances	-	19,676
Principal payments on long-term debt	(58,267)	(66,661)
Net cash used in financing activities	(58,267)	(46,985)
Net increase in cash and cash equivalents	91,262	459,027
Cash and cash equivalents, beginning of year	553,647	94,620
Cash and cash equivalents, end of year	\$ 644,909	\$ 553,647
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Interest	\$ 38,253	\$ 56,231

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

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

The Arc of Greater New Orleans, Inc. (the Organization) was incorporated on July 1953. The Arc of Greater New Orleans, Inc. is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Children's Services (Early Intervention, Child Care, and Family Service Coordination), Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Operations Department (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a four-parish area (Orleans, Jefferson, Plaquemines, and St. Bernard). The majority of the Organization's revenue is derived from contracts for services with the State of Louisiana, Jefferson Parish and various private contracts with businesses in the four-parish area. The Arc received a federal grant award through the National Organization of Service and Conservation Corps d.b.a. The Corps Network that is funded by the U.S. Department of Labor's National Emergency Grant.

Basis of Accounting

The Arc of Greater New Orleans, Inc. prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the guidance of FASB ASC 958-205 (formerly the Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations). Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Contributed Services

Various functions of the Organization are conducted by unpaid officers, board members, and volunteers. The Organization recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2010 and 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all restricted highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Use of Estimates

The preparation of the Organization's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

All receivables at June 30, 2010 and 2009 are considered collectible; accordingly, an allowance for doubtful accounts is not presented. Balances that are still outstanding after management has used reasonable collection efforts are written off. Accounts receivable with balances past due ninety days or more amounted to approximately \$28,093 and \$40,356 on June 30, 2010 and 2009, respectively.

Fair Value Measurement

The Organization carries investments in marketable securities with readily determinable fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the changes in net assets in the accompanying Statement of Activities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and improvements range from 10 to 31 years; and those of equipment range from 3 to 10 years.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Functional Expense Allocation

Functional expenses are allocated among the various program services, general and administrative, and fundraising categories based on actual use or management's best estimate.

Restricted and Unrestricted Revenue and Other Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 and reported in the statements of activities as net assets released from restrictions.

**NOTE B – CONCENTRATIONS OF CREDIT RISK**

The Organization has concentrated its credit risk by maintaining deposits in banks located within the same geographic region that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has cash equivalent at a financial institution that insured cash sweep balances up to \$1.5M for a single account. At June 30, 2010 and 2009, cash deposits in excess of the FDIC insured limits were \$104,915 and \$337,421, respectively. The Organization has not experienced any losses in such accounts and agreements and believes it is not exposed to any significant credit risk to cash.

**NOTE C – UNCONDITIONAL PROMISES TO GIVE**

Accounts receivable – unconditional promises to give at June 30, 2010 and June 30, 2009 consisted of \$103,556 and \$119,997, respectively, due from United Way.

**NOTE D – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Using level 1 inputs, fair values of investment securities measured on a recurring basis at June 30, 2010 and 2009 were \$3,987 and \$2,324, respectively.

**NOTE E – COMPENSATED ABSENCES**

The Organization's employees receive from eight to seventeen days of annual paid leave upon completion of an introductory period, depending on employee classification. Annual leave vests with the employee and therefore, has been accrued up to a maximum accumulated cap of twenty days per employee. Unpaid compensated absences amounted to \$100,250 for the years ended June 30, 2010 and 2009.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	1,172,585	1,090,167
Autos, trucks and tractors	510,335	642,422
Land	195,187	195,187
 Total	 3,237,177	 3,292,185
 Accumulated depreciation	 (2,141,084)	 (2,112,496)
 Net book value	 <u>\$ 1,096,093</u>	 <u>\$ 1,179,689</u>

Depreciation expense was \$174,121 and \$177,020 for the years ended June 30, 2010 and 2009, respectively.

**NOTE G – NOTES PAYABLE**

The Organization had the following notes payable:

	<u>2010</u>	<u>2009</u>
4% note payable dated June 26, 2006 and refinanced on December 2008, with the maturity date of April 26, 2020, payable to SBA in monthly installments of \$3,463, including interest.	\$ 335,766	\$ 363,363
6.75% variable note payable, dated June 5, 2008, due June 5, 2028, payable in monthly installments of \$2,427, including interest secured by real property.	300,202	308,425
0.00% note payable, dated August 26, 2006, due August 28, 2009, payable in monthly installments of \$1,007, secured by a truck.	-	2,015
7.99% note payable, dated April 30, 2007, due April 30, 2012, payable in monthly installments of \$753, including interest, secured by a truck.	15,356	22,834
8.19% note payable, dated April 29, 2008, due April 30, 2010, payable in monthly installments of \$899, including interest, secured by a van.	-	9,430
8.99% note payable, dated July 9, 2008, due August 23, 2013, payable in monthly installments of \$410, including interest, secured by a van.	<u>13,155</u>	<u>16,679</u>
	<u>\$ 664,479</u>	<u>\$ 722,746</u>

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

**NOTE G – NOTES PAYABLE, continued**

Maturities are as follows:

2011	\$	49,516
2012		50,731
2013		45,846
2014		43,494
2015		45,228
Thereafter		429,664
	\$	<u>664,479</u>

Interest expense on notes payable for the years ended June 30, 2010 and 2009 was \$38,253 and \$56,231, respectively.

**NOTE H – LINE OF CREDIT**

The Organization has a line of credit available totaling \$400,000. The unpaid principal balance bears interest at the Prime Rate plus 1.25%, adjusted quarterly, floor 7%. Interest payments are due monthly. At June 30, 2010, the Organization had not drawn on the line of credit. The line of credit is secured by all inventory, goods, and other items of personal property and receivables.

**NOTE I – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Unconditional promises to give – United Way	\$ 103,556	\$ 119,997
Unexpended funds received for restricted purposes	<u>62,818</u>	<u>-</u>
	<u>\$ 166,374</u>	<u>\$ 119,997</u>

**NOTE J – RENT-FREE USE OF FACILITIES**

During 2010 and 2009, the Organization was furnished free use of facilities at three locations from unrelated parties. The aggregate fair market value of the use of these facilities is approximately \$26,284 per month. These amounts are recorded as contributions in Support and Revenues and also in Occupancy Expenses. The fair market value of the rent-free use of facilities amounted to \$315,410 for the years ended June 30, 2010 and 2009. The commitments for the use of these facilities expire at various times through 2017.

The Organization has entered into a five-year lease on one of the three buildings aforementioned to provide program services. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of a public education facility. The Organization has made improvements to the building, which amount to approximately \$313,103.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2009)**

**NOTE K – MAJOR SUPPORT**

For the years ended June 30, 2010 and 2009, the Organization earned 57% and 39%, respectively, of its support and revenue from Medicaid reimbursement arrangements. Accounts receivable included \$690,902 and \$648,170 from this source for the years ended June 30, 2010 and 2009, respectively.

**NOTE L – ECONOMIC DEPENDENCY**

The Organization receives state funding on a per diem per client/unit basis as well as state and parish grants on a per diem basis. If significant budget cuts are made at the state and/or local levels, the amount of the funds the organization receives could be reduced significantly and have an adverse impact on its operations. Management believes budget cuts will occur in the next fiscal year, though there is no amount certain as to the funding being reduced in the next fiscal year.

**NOTE M – PAYMENTS TO AFFILIATES**

As of December 31, 2010 and 2009, the Organization paid \$16,794 and \$15,923, respectively to the Arc of the United States and the Arc of Louisiana, affiliated organizations.

**NOTE N – RETIREMENT PLAN**

Effective July 1, 1999, the Organization adopted a 401(k) retirement plan that covers most of its employees. The Organization matches fifty percent of employee salary reduction contributions up to six percent of compensation. These matching contributions amounted to \$37,440 and \$37,509 in 2010 and 2009, respectively.

**NOTE O – CONTINGENCY**

The Organization is involved in legal matters and unasserted claims arising in the ordinary course of business. Management and legal counsel are in the process of reviewing and evaluating these actions and possible claims. Management has not established a reserve as the outcome of the litigation is undetermined as of June 30, 2010.

**NOTE P – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 19, 2010, and determined that, except as noted above, no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**SUPPLEMENTARY INFORMATION**

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**SCHEDULE OF STATE AND LOCAL AWARDS**  
**JUNE 30, 2010**

<u>State Programs</u>	<u>Pass-through Grantor's Number</u>	<u>State Awards</u>
State Department of Health and Hospitals/ Office for Citizens with Developmental Disabilities:		
Vocational	675151	\$ 110,725
Crisis	675150	80,845
Child/Adolescent	683213	42,000
ACT 378	683212	35,012
Adult Consumer	683211	65,694
Family Support	683217	15,000
Advisory Council	683215	<u>2,669</u>
Total State awards		351,945
Jefferson Parish Human Services Authority/ Office for Citizens with Developmental Disabilities:		
Family Support		
Project Step - Vocational Services and Employment Program	283	72,300
Respite Care	282	4,890
Supported Living	282	9,308
Vocational and Habilitative Services	282	<u>67,144</u>
Total Local awards		<u>153,642</u>
Total State and Local awards		<u>\$ 505,587</u>

See independent auditors' report.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**SCHEDULE OF STATE AND LOCAL AWARDS**  
**JUNE 30, 2009**

<u>State Programs</u>	<u>Pass-through Grantor's Number</u>	<u>State Awards</u>
State Department of Health and Hospitals/ Office for Citizens with Developmental Disabilities:		
Developmental Disabilities:		
Vocational	655198	\$ 176,817
Crisis	675150	197,423
Social Services	675148	34,000
Child/Adolescent	662307	67,936
ACT 378	675059	61,000
Adult Consumer	662869	27,000
Family Support	662871	23,425
Advisory Council	662873	3,315
		<hr/>
Total State awards		590,916
Jefferson Parish Human Services Authority/ Office for Citizens with Developmental Disabilities:		
Family Support	329	9,600
Project Step - Vocational Services	309	76,516
Project Step - Employment Program	309	29,620
Respite Care	330	1,908
Supported Living	330	12,432
Vocational and Habilitative Services	330	75,293
		<hr/>
Total Local awards		205,369
		<hr/>
Total State and Local awards		\$ 796,285
		<hr/> <hr/>

See independent auditors' report.

**THE ARC OF GREATER NEW ORLEANS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2010**

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Pass-through programs from: Department of Labor Office of Workforce Development National Association of Service and Conservative Corps	17.260	52-1480202	\$ 607,041
Total expenditures of federal awards			<u>\$ 607,041</u>

**Notes to Schedule of Expenditures of Federal Awards:**

**Note 1 - Summary of Significant Accounting Policies**

**a. Basis of Presentation**

This schedule includes the federal grant activity of The Arc of Greater New Orleans, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**b. Accrued Reimbursement**

Various reimbursement procedures are used for federal award received by the Organization. Consequently, timing differences between expenditures and program reimbursements may exist at the end of the year.

See independent auditors' report.

**OTHER INDEPENDENT AUDITORS' REPORT**



# Silva Gurtner & Abney

Certified Public Accountants & Consultants

Brent A. Silva, CPA  
Craig A. Silva, CPA\*  
Thomas A. Gurtner, CPA\*  
Kenneth J. Abney, CPA, MS Tax\*

\*Limited Liability Companies

## 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 of Greater New Orleans, Inc.  
New Orleans, Louisiana

We have audited the financial statements of The Arc of Greater New Orleans, Inc. (the Organization), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. 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 of Greater New Orleans, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Arc of Greater New Orleans, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc of Greater New Orleans, 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*.

This report is intended solely for the information and use management, the Board of Directors, the Department of Health and Hospitals, Jefferson Parish Human Services, United Way, Metropolitan Human Services District, and the Louisiana Legislative Auditor. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Silva Gurtner & Abney, LLC*

November 19, 2010



# Silva Gurtner & Abney

Certified Public Accountants & Consultants

Brent A. Silva, CPA  
Craig A. Silva, CPA\*  
Thomas A. Gurtner, CPA\*  
Kenneth J. Abney, CPA, MS Tax\*

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**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

Board of Directors  
The Arc of Greater New Orleans, Inc.  
New Orleans, Louisiana

### Compliance

We have audited the compliance of The Arc of Greater New Orleans, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. The Arc of Greater New Orleans, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Arc of Greater New Orleans, Inc.'s management. Our responsibility is to express an opinion on The Arc of Greater New Orleans, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

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### Internal Control over Compliance

Management of The Arc of Greater New Orleans, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the The Arc of Greater New Orleans, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use management, the Board of Directors, the Department of Health and Hospitals, Jefferson Parish Human Services, United Way, Metropolitan Human Services District, and the Louisiana Legislative Auditor. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Silva Gurtner & Abney, LLC*

November 19, 2010

**THE ARC OF GREATER NEW ORLEANS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Section I - Summary of Auditors' Results**  
Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ <u>X</u> _____	no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____	none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> _____	no

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	_____ yes	_____ <u>X</u> _____	no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____	none reported

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	_____ yes	_____ <u>X</u> _____	no
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Identification of major programs:

CFDA Number

17.260

National Association of Service and Conservation Corps

Dollar threshold used to distinguish  
between Type A and Type B programs:

\_\_\_\_\_ \$300,000 \_\_\_\_\_

Auditee qualified as low-risk audit?

No

**Section II - Findings related to the financial statements that are required to be reported  
in accordance with *Governmental Auditing Standards***

No findings for the year ended June 30, 2010.

**Section III - Findings and questioned costs for federal awards under  
OMB Circular A-133 §510(a)**

No findings for the year ended June 30, 2010.

**THE ARC OF GREATER NEW ORLEANS, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Section II –Internal Control & Compliance**  
*Governmental Auditing Standards*

**Internal Control over Financial Reporting**

**Reference number:** 2009-1

**Condition:** Several checks greater than \$5,000 did not bear two signatures.

**Current status:** Resolved. The Organization has implemented controls to ensure that all checks have two signatures.