

**THE ARC OF ACADIANA, INC.**

Audits of Financial Statements

June 30, 2011 and 2010

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## Independent Auditor's Report

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

We have audited the accompanying statements of financial position of The ARC of Acadiana, Inc. (ARC) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the ARC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of Acadiana, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011, on our consideration of The ARC of Acadiana Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 is important for assessing the results of our audit.



A Professional Accounting Corporation

October 19, 2011

**THE ARC OF ACADIANA, INC.**  
**Statements of Financial Position**  
**June 30, 2011 and 2010**

	2011	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 5,165,269	\$ 5,079,656
Investments	1,032,027	907,960
Receivables	98,270	62,609
Due from Other Agencies, Net	1,515,180	1,194,685
Inventory	29,750	26,690
Prepaid Expenses	84,912	6,000
Other Current Assets	87,854	39,963
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>8,013,262</b>	<b>7,317,563</b>
<b>Fixed Assets</b>		
Property and Equipment, Net	5,040,648	4,161,035
	<hr/>	<hr/>
<b>Other Assets</b>		
Deposits Held for Others	130,022	37,708
Other Assets	26,300	12,204
	<hr/>	<hr/>
<b>Total Other Assets</b>	<b>156,322</b>	<b>49,912</b>
<b>Restricted Cash</b>		
Respite Building Fund	25,323	23,754
Community Rural Development	39,235	39,110
	<hr/>	<hr/>
<b>Total Restricted Cash</b>	<b>64,558</b>	<b>62,864</b>
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 13,274,790</b>	<b>\$ 11,591,374</b>
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The accompanying notes are an integral part of these financial statements.

**THE ARC OF ACADIANA, INC.**  
**Statements of Financial Position (Continued)**  
**June 30, 2011 and 2010**

	2011	2010
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities Payable from Current Assets</b>		
Accounts Payable	\$ 255,883	\$ 319,753
Accrued Liabilities	569,020	431,307
Accrued Compensated Absences	180,000	160,215
Current Portion of Long - Term Debt	-	34,026
	<u>1,004,903</u>	<u>945,301</u>
<b>Current Liabilities Payable from Restricted Assets</b>		
Current Portion of Long - Term Debt	<u>21,652</u>	<u>20,701</u>
	<b>1,026,555</b>	<b>966,002</b>
<b>Other Liabilities</b>		
Long - Term Debt	696,876	718,481
Deposits Held for Others	130,022	37,708
	<u>826,898</u>	<u>756,189</u>
	<b>1,853,453</b>	<b>1,722,191</b>
<b>Net Assets</b>		
Unrestricted	11,128,095	9,564,608
Temporarily Restricted	293,242	304,575
	<u>11,421,337</u>	<u>9,869,183</u>
	<b>11,421,337</b>	<b>9,869,183</b>
	<u><b>\$ 13,274,790</b></u>	<u><b>\$ 11,591,374</b></u>

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

**THE ARC OF ACADIANA, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

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

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

**THE ARC OF ACADIANA, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 383,013	\$ 116,151	\$ 499,164
Program Revenue	13,040,015	-	13,040,015
Investment Income, Net	55,815	-	55,815
Membership Revenue	15,772	-	15,772
Miscellaneous Revenue	30,821	-	30,821
	<u>13,525,436</u>	<u>116,151</u>	<u>13,641,587</u>
<b>Net Assets Released from Restrictions</b>			
Expiration of Time Restrictions	121,427	(121,427)	-
	<u>13,646,863</u>	<u>(5,276)</u>	<u>13,641,587</u>
<b>Expenses</b>			
<b>Program Expenses</b>			
Employment Services	3,339,102	-	3,339,102
Community Services	6,710,139	-	6,710,139
Residential Services	1,676,012	-	1,676,012
<b>General and Administrative Expenses</b>	<u>975,460</u>	<u>-</u>	<u>975,460</u>
<b>Total Expenses</b>	<u>12,700,713</u>	<u>-</u>	<u>12,700,713</u>
<b>Change in Net Assets</b>	946,150	(5,276)	940,874
<b>Net Assets, Beginning of Year</b>	<u>8,618,458</u>	<u>309,851</u>	<u>8,928,309</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,564,608</u>	<u>\$ 304,575</u>	<u>\$ 9,869,183</u>

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

**THE ARC OF ACADIANA, INC.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2011 and 2010**

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 1,552,154	\$ 940,874
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	508,686	375,220
Realized and Unrealized Gain on Investments	(107,786)	(31,002)
Gain on Sale of Fixed Assets	6,605	-
Donated Fixed Assets	(379,252)	(116,151)
(Increase) Decrease in:		
Receivables	(35,661)	34,619
Due from Other Agencies	(320,495)	261,094
Inventory and Prepaid Expenses	(81,972)	14,108
Other Current Assets	(47,891)	8,182
Other Assets	(14,096)	
Increase (Decrease) in:		
Accounts Payable	(63,870)	51,362
Accrued Liabilities	137,713	32,244
Accrued Compensated Absences	19,785	(6,165)
Retainage Payable	-	(8,278)
<b>Net Cash Provided by Operating Activities</b>	<b>1,173,920</b>	<b>1,556,107</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Fixed Assets	(1,015,652)	(448,471)
Loss on Transfer of Investment	-	49,085
Change in Investments	(16,281)	(43,099)
<b>Net Cash Used in Investing Activities</b>	<b>(1,031,933)</b>	<b>(442,485)</b>
<b>Cash Flows from Financing Activities</b>		
Repayments of Long-Term Debt	(54,680)	(82,927)
<b>Net Cash Used in Financing Activities</b>	<b>(54,680)</b>	<b>(82,927)</b>
<b>Net Increase in Cash</b>	<b>87,307</b>	<b>1,030,695</b>
<b>Cash, Beginning of Year</b>	<b>5,142,520</b>	<b>4,111,825</b>
<b>Cash, End of Year</b>	<b>\$ 5,229,827</b>	<b>\$ 5,142,520</b>
<b>Cash and Cash Equivalents Shown on Statement of Financial Position as:</b>		
Current Assets - Cash	\$ 5,165,269	\$ 5,079,656
Restricted Assets - Restricted Cash	64,558	62,864
<b>Total</b>	<b>\$ 5,229,827</b>	<b>\$ 5,142,520</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid for Interest	\$ 32,381	\$ 22,182
<b>Non-Cash Transactions</b>		
Donated Fixed Assets	\$ 379,252	\$ 116,151
Transfer of Construction in Progress to Property	16,585	-
<b>Total</b>	<b>\$ 395,837</b>	<b>\$ 116,151</b>

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

# THE ARC OF ACADIANA, INC.

## Notes to Financial Statements

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

#### Nature of Organization

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

#### Employment Services

Employment Services is a day program for citizens of the community who are developmentally disabled. The day program operates in New Iberia, Lafayette, and Opelousas, Louisiana. Employment Services also operates several retail clothing stores with locations in New Iberia, Lafayette, St. Martinville, Loreauville, Carencro, Eunice, and Opelousas, Louisiana. Sales from these stores account for approximately 6% of program revenue for both years ended June 30, 2011 and 2010.

#### Residential Services

Residential Services provides four homes in the New Iberia, Louisiana area for adults who are developmentally disabled.

#### Community Services

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

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

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

#### Operating Fund

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

#### Basis of Accounting

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

# THE ARC OF ACADIANA, INC.

## Notes to Financial Statements

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

#### Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. There were no permanently restricted net assets as of June 30, 2011 and 2010.

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

#### Cash and Cash Equivalents

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

#### Investments

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

#### Inventory

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

#### Allowance for Doubtful Accounts

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

#### Restricted Cash

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

#### Donated Services

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

# THE ARC OF ACADIANA, INC.

## Notes to Financial Statements

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

#### Property and Equipment

Purchased property and equipment in excess of \$2,500, is capitalized and recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, ARC has adopted a policy of implying a time restriction on contributions of such assets that expire over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

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

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

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

#### Compensated Absences

Employees of ARC earn annual leave per month depending on years of service at a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours. Upon resignation or termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours.

#### Federal Income Taxes

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

#### Use of Estimates

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

#### Fair Value of Financial Instruments

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

## THE ARC OF ACADIANA, INC.

### Notes to Financial Statements

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

##### **Fair Value of Financial Instruments (Continued)**

ARC follows the *Fair Value Measurements and Disclosure* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820. Under this topic, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

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

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

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

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement (see Note 5).

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

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

##### **Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

## THE ARC OF ACADIANA, INC.

### Notes to Financial Statements

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#### Note 2. Due from Other Agencies, Net

Due from Other Agencies, Net at June 30, 2011 and 2010 consisted of the following:

	2011	2010
Due from Medicaid, Net	\$ 1,391,835	\$ 1,093,409
Due from Other Facilities	102,571	83,191
Due from O.C.D.D.	16,473	12,168
Due from Louisiana Rehabilitation Services	4,301	5,917
<b>Total</b>	<b>\$ 1,515,180</b>	<b>\$ 1,194,685</b>

Included in Due from Other Agencies, Net as of June 30, 2011 are receivables from Medicaid which have been reduced by \$112,275. This amount represents a payable which the Department of Health and Hospitals claims it is owed based on the results of a review performed by the agency on ARC's Medicaid claims paid. Program Revenue was also reduced for the same amount. Currently, these findings are being disputed by ARC and other similar organizations, the outcome of which is unknown at this time.

#### Note 3. Property and Equipment

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

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

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

Iota fixed assets were purchased on June 28, 2011, as part of the cooperative endeavor agreement which took effect July 1, 2011. See Note 14.

# THE ARC OF ACADIANA, INC.

## Notes to Financial Statements

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### Note 3. Property and Equipment (Continued)

Property and equipment at June 30, 2010 consisted of the following:

	Purchased Assets Historical Cost	Donated Value	Total
Land	\$ 104,027	\$ 91,750	\$ 195,777
Building and Improvements	4,160,278	-	4,160,278
Furniture and Equipment	827,110	43,800	870,910
Vehicles	632,178	863,463	1,495,641
Construction in Progress	110,442	-	110,442
	<u>5,834,035</u>	<u>999,013</u>	<u>6,833,048</u>
Less: Accumulated Depreciation	<u>(2,068,420)</u>	<u>(603,593)</u>	<u>(2,672,013)</u>
Net Property and Equipment	<u>\$ 3,765,615</u>	<u>\$ 395,420</u>	<u>\$ 4,161,035</u>

Total depreciation expense for the year ended June 30, 2010, was \$375,220, of which \$121,427, was related to donated assets.

### Note 4. Investments

As more fully described in Note 1, investments are presented in the financial statements at fair value and are composed of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Cash - Money Market and Certificate of Deposit	\$ 267,317	\$ 262,730
U.S. Government and Federal Agencies	-	119,757
Equity Securities	509,344	391,501
Debt Securities	255,366	133,972
<b>Total</b>	<b>\$ 1,032,027</b>	<b>\$ 907,960</b>

## THE ARC OF ACADIANA, INC.

### Notes to Financial Statements

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#### Note 4. Investments (Continued)

Investment Income, Net is composed of the following for the years ended June 30, 2011 and 2010:

	2011	2010
Dividends and Interest	\$ 23,241	\$ 23,063
Interest Income	12,614	13,946
Realized Gain (Loss)	17,374	(9,629)
Unrealized Gain	90,412	40,631
Fees	(9,824)	(12,196)
<b>Total</b>	<b>\$ 133,817</b>	<b>\$ 55,815</b>

#### Note 5. Fair Value Measurements

ARC's assets recorded at fair value have been categorized based upon a fair value hierarchy with the *Fair Value Measurements and Disclosure* Topic of the FASB ASC Topic 820. See Note 1 for a description of ARC's policies and valuation techniques.

The valuation of ARC's assets measured at fair value on a recurring basis at June 30, 2011 and 2010 is as follows:

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

2010 Assets	Level 1	Level 2	Level 3	Net Balance
Cash - Money Market and Certificate of Deposit	\$ 262,730	\$ -	\$ -	\$ 262,730
Corporate Fixed Income	-	133,972	-	133,972
Corporate Stock	391,501	-	-	391,501
U.S. Government Obligations	-	119,757	-	119,757
<b>Total</b>	<b>\$ 654,231</b>	<b>\$ 253,729</b>	<b>\$ -</b>	<b>\$ 907,960</b>

# THE ARC OF ACADIANA, INC.

## Notes to Financial Statements

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### Note 6. Notes Payable

Notes payable at June 30, 2011 and 2010 consisted of the following:

	2011	2010
<b>Operating Fund</b>		
Mortgage note payable to FHA, due in monthly installments of \$2,585, bearing interest at 4.125%, secured by collateral mortgage on the building at 3716 Redwood Drive, maturing August 9, 2035.	\$ 473,444	\$ 484,646
Mortgage note payable to FHA, due in monthly installments of \$543, bearing interest at 4.125%, secured by collateral mortgage on the building at 3716 Redwood Drive, maturing August 9, 2035.	99,458	101,810
<b>Employment Services</b>		
Note payable to bank due in monthly installments of \$4,089, bearing interest at 5.75%, secured by collateral mortgage on the Walton Street building. Note was paid in full as of June 30, 2011.	-	34,026
<b>Community Services</b>		
Mortgage note payable to FHA, due in monthly installments of \$1,028, bearing interest at 5.25%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	120,357	126,206
Mortgage note payable to FHA, due in monthly installments of \$215, bearing interest at 5.125%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	25,269	26,520
<b>Total</b>	<b>718,528</b>	<b>773,208</b>
<b>Less: Current Portion</b>	<b>(21,652)</b>	<b>(54,727)</b>
<b>Long-Term Portion</b>	<b>\$ 696,876</b>	<b>\$ 718,481</b>

## THE ARC OF ACADIANA, INC.

### Notes to Financial Statements

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#### Note 6. Notes Payable (Continued)

Maturities of notes payable are as follows as of June 30, 2011:

<b>Years</b>	<b>Amount</b>
2012	\$ 21,652
2013	22,648
2014	23,690
2015	24,782
2016	25,924
Thereafter	<u>599,832</u>
<b>Total</b>	<b><u><u>\$ 718,528</u></u></b>

Interest expense for the years ended June 30, 2011 and 2010, was \$32,381 and \$36,487, respectively.

#### Note 7. Operating Leases

ARC leases facilities and equipment under operating leases, some of which include renewal options. Rental expenses under long-term operating leases of property and equipment for the years ended June 30, 2011 and 2010 was \$187,516 and \$147,303, respectively. Future minimum lease commitments as of June 30, 2011, are payable as follows:

<b>Years</b>	<b>Amount</b>
2012	\$ 151,581
2013	138,935
2014	85,903
2015	43,062
2016	15,389
Thereafter	<u>750</u>
<b>Total</b>	<b><u><u>\$ 435,620</u></u></b>

**THE ARC OF ACADIANA, INC.**

**Notes to Financial Statements**

**Note 8. Detail of Program Revenue**

Program revenue included the following for the years ended June 30, 2011 and 2010:

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

2010	Total	Program		
		Employment Services	Community Services	Residential Services
Medicaid	\$ 11,310,074	\$ 1,633,841	\$ 7,708,394	\$ 1,967,839
Office of Citizens with Developmental Disabilities	66,977	9,661	57,316	-
Louisiana Rehab Services	58,040	58,040	-	-
Sales	759,202	759,202	-	-
Client Billings	287,281	3,679	134,145	149,457
Other Residential Facilities	558,441	558,441	-	-
<b>Total Revenue</b>	<b>\$ 13,040,015</b>	<b>\$ 3,022,864</b>	<b>\$ 7,899,855</b>	<b>\$ 2,117,296</b>

**Note 9. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2011 and 2010:

	2011	2010
Remaining Net Book Value of Contributed Property and Equipment Employment Services Program	<b>\$ 293,242</b>	<b>\$ 304,575</b>

# THE ARC OF ACADIANA, INC.

## Notes to Financial Statements

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### Note 10. Net Assets Released from Restrictions

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

	2011	2010
<b>Time Restriction Expired</b>		
Expired Portion of Net Book Value of Contributed Property and Equipment	\$ 184,085	\$ 121,427

### Note 11. Fiduciary Funds

ARC acts as a fiduciary agent for several of its residents. The balance of the checking accounts maintained by ARC totaled \$44,217 and \$37,708.

The Community Services Program, through its Independent Living Program, also acts as fiduciary agent for several of its clients. Checking accounts are maintained for each client, as applicable. Deposits include the client's social security benefits, their payroll checks, if employed, and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual client's needs. The balance in these checking accounts at June 30, 2011 and 2010 was \$85,805 and \$92,831, respectively. These funds are not included in the 2010 statement of financial position of ARC.

### Note 12. Concentration of Credit Risk

ARC periodically maintains cash and time deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) coverage at its banks. FDIC coverage is \$250,000 per depositor per bank. At June 30, 2011, ARC's uninsured balances totaled \$4,050,076. A large majority of funds held on deposit by ARC are transferred each night to a repurchase account and collateralized with direct U.S Government obligations, U.S. Government Agency obligations, or collateralized mortgage obligations.

ARC also receives a considerable amount of its total support and revenues from Medicaid for payments for services provided to clients. During the years ended June 30, 2011 and 2010, ARC received \$12,737,287 and \$11,310,074, respectively, from Medicaid, which was 82.51% and 82.83%, respectively, of total revenues.

## THE ARC OF ACADIANA, INC.

### Notes to Financial Statements

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#### **Note 13. Accounting for Uncertain Tax Positions**

All tax returns have been appropriately filed by ARC. ARC recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. ARC's tax filings are subject to audit by various taxing authorities. ARC's open audit periods are 2008 through 2010. Management evaluated ARC's tax positions and concluded that ARC has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

#### **Note 14. Subsequent Events**

Effective July 1, 2011, ARC entered into a 5-year cooperative endeavor agreement to privatize Acadiana Region Support Center located in Iota, Louisiana. The contract is to establish, operate, and maintain a facility to serve 70 individuals who have intellectual and developmental disabilities.

Management has evaluated subsequent events through the date that the financial statements were available to be issued which was October 19, 2011, and determined that no events, other than the one stated above, have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**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**

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

We have audited the financial statements of The ARC of Acadiana, Inc., a nonprofit organization, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. 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 Acadiana, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The ARC of Acadiana, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The ARC of Acadiana, Inc.'s internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting as item 2011-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The ARC of Acadiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-2.

The ARC of Acadiana, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit The ARC of Acadiana, Inc.'s response and, accordingly, we express no opinion on it.

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

A handwritten signature in blue ink, appearing to read "LaPorte, Selit, Koenig & Bond".

A Professional Accounting Corporation

October 19, 2011

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

**For the Year Ended June 30, 2011**

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**Part I - Summary of Auditor's Results**

Financial Statements

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

Federal Awards - Not applicable

**Part II - Financial Statement Findings Section**

**2011-1 Segregation of Duties**

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

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

*Managements*

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

**2011-2 Louisiana Department of Health and Hospitals Review Findings**

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

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

**THE ARC OF ACADIANA, INC.**  
**Schedule of Findings and Responses (Continued)**

**For the Year Ended June 30, 2011**

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**2011-2 Louisiana Department of Health and Hospitals Review Findings (Continued)**

*Managements*

*Response:*

We intend to comply with the Louisiana Department of Health and Hospitals regulations but are not in agreement with the report findings. After our own review of the State mandated audit we are in disagreement with the findings. Other Providers in the State are also disputing their State mandated audits. We providers in conjunction with CARSA and The ARC of Louisiana have met with DHH officials to try to resolve our disagreements. One of the main issues we have with the State mandated audits was with the Audit process. There was no opportunity to exchange information during the audit nor was there an exit interview. DHH has decided not to recoup any funds until an official determination has been made. DHH does agree there were problems with the audit process. To date there has been no formal solution from DHH.

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

**For the Year Ended June 30, 2011**

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**2010-1 Segregation of Duties**

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

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

*Current Status:* It is not financially feasible at this time to add an additional clerical person in Lafayette and St. Landry Day Programs to handle deposits and/or invoicing until our growth warrants us to do so.