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**THE ARC OF LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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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

**P&N**

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**THE ARC OF LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
The Arc of Louisiana  
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of The Arc of Louisiana (a not-for-profit organization) as of June 30, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Louisiana as of June 30, 2010 and 2009, and the results of its operations 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 December 16, 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, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 16, 2010

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

**ASSETS**

	<u>2010</u>	<u>2009</u> (as restated)
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 94,959	\$ 108,227
Contracts receivable	96,132	81,810
Receivables - other	-	1,267
Prepaid insurance	163	500
Total current assets	<u>191,254</u>	<u>191,804</u>
<b><u>BENEFICIAL INTEREST IN THE FOUNDATION</u></b>	<u>1,391,690</u>	<u>1,363,067</u>
<b><u>FURNITURE AND EQUIPMENT</u></b>		
Furniture and equipment	50,387	49,017
Less: accumulated depreciation	(46,925)	(45,351)
Net furniture and equipment	<u>3,462</u>	<u>3,666</u>
 Total assets	 <u>\$ 1,586,406</u>	 <u>\$ 1,558,537</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 8,699	\$ 10,933
Other liabilities	15,809	21,409
Total current liabilities	<u>24,508</u>	<u>32,342</u>
<b><u>LONG-TERM LIABILITIES</u></b>		
Micro-enterprise Revolving Loan Fund	20,000	20,000
Total Liabilities	<u>44,508</u>	<u>52,342</u>
<b><u>NET ASSETS</u></b>		
Unrestricted	322,688	286,985
Permanently restricted	1,219,210	1,219,210
Total net assets	<u>1,541,898</u>	<u>1,506,195</u>
 Total liabilities and net assets	 <u>\$ 1,586,406</u>	 <u>\$ 1,558,537</u>

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

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>				
Public support	\$ 47,830	\$ -	\$ -	\$ 47,830
Grant from governmental agency	278,384	-	-	278,384
Program service revenue	86,372	-	-	86,372
Raffle ticket income	8,350	-	-	8,350
Interest income	131	-	-	131
Change in net assets of the Foundation	58,623	-	-	58,623
Miscellaneous	5,113	-	-	5,113
Total support and revenue	<u>484,803</u>	<u>-</u>	<u>-</u>	<u>484,803</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>484,803</u>	<u>-</u>	<u>-</u>	<u>484,803</u>
<b>EXPENSES:</b>				
Program services	311,484	-	-	311,484
Management and general	137,616	-	-	137,616
Total expenses	<u>449,100</u>	<u>-</u>	<u>-</u>	<u>449,100</u>
Changes in net assets	35,703	-	-	35,703
Net assets - beginning of year, as previously reported	306,985	-	1,219,210	1,526,195
Correction of an error for revolving loan grant (see note 7)	(20,000)	-	-	(20,000)
Net assets - beginning of year, as restated	<u>286,985</u>	<u>-</u>	<u>1,219,210</u>	<u>1,506,195</u>
Net assets - end of year	<u>\$ 322,688</u>	<u>\$ -</u>	<u>\$ 1,219,210</u>	<u>\$ 1,541,898</u>

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

2009

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 52,684	\$ -	\$ -	\$ 52,684
308,255	-	-	308,255
84,805	-	-	84,805
-	-	-	-
153	-	-	153
(88,378)	-	-	(88,378)
4,984	-	-	4,984
<u>362,503</u>	<u>-</u>	<u>-</u>	<u>362,503</u>
-	-	-	-
<u>362,503</u>	<u>-</u>	<u>-</u>	<u>362,503</u>
316,824	-	-	316,824
142,348	-	-	142,348
<u>459,172</u>	<u>-</u>	<u>-</u>	<u>459,172</u>
(96,669)	-	-	(96,669)
403,654	-	1,219,210	1,622,864
(20,000)	-	-	(20,000)
<u>383,654</u>	<u>-</u>	<u>1,219,210</u>	<u>1,602,864</u>
<u>\$ 286,985</u>	<u>\$ -</u>	<u>\$ 1,219,210</u>	<u>\$ 1,506,195</u>

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			
	Program Services	Management and General	Fundraising	Total
<b><u>EXPENSES</u></b>				
Conventions	\$ 10,592	\$ -	\$ -	\$ 10,592
Depreciation and amortization	1,180	394	-	1,574
Direct program services	-	-	-	-
Dues and subscriptions	670	7,069	-	7,739
Employee benefits	17,718	5,292	-	23,010
Insurance expense	315	315	-	630
Interest expense	-	23	-	23
Janitorial services	1,011	505	-	1,516
Katrina donations	-	-	-	-
Meetings	-	6,814	-	6,814
Miscellaneous	1,913	3,661	-	5,574
Payroll taxes	16,104	4,810	-	20,914
Postage	350	381	-	731
Professional services	24,883	12,409	-	37,292
Rental expense	26,075	13,037	-	39,112
Repairs and maintenance	1,681	2,313	-	3,994
Salaries	185,610	55,442	-	241,052
Supplies	3,654	2,776	-	6,430
Telephone	6,600	5,938	-	12,538
Training	149	-	-	149
Travel	8,326	14,085	-	22,411
Utilities	4,653	2,352	-	7,005
Website	-	-	-	-
	<b>\$ 311,484</b>	<b>\$ 137,616</b>	<b>\$ -</b>	<b>\$ 449,100</b>

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

2009

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 17,502	\$ -	\$ -	\$ 17,502
-	1,103	-	1,103
13,005	-	-	13,005
1,003	8,111	-	9,114
15,286	3,356	-	18,642
-	-	-	-
-	-	-	-
721	360	-	1,081
-	30,000	-	30,000
-	6,416	-	6,416
1,386	5,212	-	6,598
15,532	3,410	-	18,942
461	316	-	777
19,060	10,839	-	29,899
26,042	12,826	-	38,868
833	1,155	-	1,988
178,954	39,282	-	218,236
5,906	2,303	-	8,209
8,123	4,732	-	12,855
419	-	-	419
7,675	10,173	-	17,848
4,416	2,209	-	6,625
500	545	-	1,045
<u>\$ 316,824</u>	<u>\$ 142,348</u>	<u>\$ -</u>	<u>\$ 459,172</u>

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	2010	2009
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 35,703	\$ (96,669)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,574	1,103
Change in beneficial interest of Foundation	(58,623)	88,378
Changes in operating assets and liabilities:		
Contracts receivable	(14,322)	65,702
Receivable - other	1,267	3,680
Accounts payable and other accrued liabilities	(7,834)	16,480
Prepaid insurance	337	97
Net cash provided by (used in) operating activities	(41,898)	78,771
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Cash received from the Foundation	30,000	30,000
Purchases of furniture and equipment	(1,370)	(1,756)
Net cash provided by investing activities	28,630	28,244
Net increase (decrease) in cash and cash equivalents	(13,268)	107,015
Cash and cash equivalents - beginning of year	108,227	1,212
Cash and cash equivalents - end of year	\$ 94,959	\$ 108,227

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

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Activities**

The Arc of Louisiana (the Organization) is an organization of and for people with mental retardation and related developmental disabilities and their families. The Organization is devoted to promoting and improving support and services for people with mental retardation and related disabilities and their families.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

The financial statement presentation complies with FASB Accounting Standards Codification regarding Financial Statements of Not-for-Profit Organizations. Under the standard, 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. There were no temporarily restricted net assets as of June 30, 2010 and June 30, 2009, and the majority of the beneficial interest in the Foundation is permanently restricted as of June 30, 2010 and 2009.

**Contributions**

The Organization complies with FASB Accounting Standards Codification regarding Accounting for Contributions Received and Contributions Made. Under the standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (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.

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Grant Revenue Recognition**

Contracts receivable represents amounts owed to the Organization for costs incurred under state grant contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2010 and 2009.

**Furniture and Equipment**

Furniture and equipment are stated at cost. Depreciation of furniture and equipment is based upon the estimated useful lives of the assets, which range from 3 to 7 years, using the straight-line method.

**Income Taxes**

The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made; however, should the Organization engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization had no unrelated business income for the fiscal years ended June 30, 2010 and 2009.

On July 1, 2009, the Organization adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization's administration recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization's administration has evaluated its position regarding the accounting for uncertain income tax positions. The Organization's administration does not believe that it has any uncertain tax positions. With few exceptions, the Organization is no longer subject to federal, state, or local tax examinations by tax authorities for years before 2007.

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with maturities of three months or less at the date of acquisition to be "cash equivalents."

**Membership Dues**

The Organization receives membership dues from 20 Arc chapters throughout Louisiana. These dues are recognized as revenue in the applicable membership period.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Recent accounting pronouncements**

Effective July 1, 2009, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP). All guidance in the Codification carries an equal level of authority. After the effective date of the Codification, all nongrandfathered accounting literature not included in the Codification was superseded and deemed nonauthoritative. FASB will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP. This guidance is effective for the Organization as of July 1, 2009.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs benefited and the supporting services.

**Reclassifications**

Certain amounts have been reclassified from the June 30, 2009 financial statements in order to conform with the presentation as of June 30, 2010.

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Donated Services**

A significant portion of the Organization's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

**4. Related Party Transactions**

The Arc of Louisiana and the Arc of Louisiana Foundation (the Foundation) are affiliated organizations. Some board members of the Arc of Louisiana also serve on the board of the Foundation. The organizations share office space and accounting personnel. The Arc of Louisiana received in-kind rent of \$36,000 and paid rent of \$36,000 to the Arc of Louisiana Foundation for the years ended June 30, 2010 and 2009 respectively.

The Arc of Louisiana and the Foundation share the costs of some joint activities. The types of expenses that are incurred by both organizations include salaries, payroll taxes, insurance, office supplies, telephone, postage, and printing. The organizations allocate expenses based on actual costs and an estimate of usage. The Arc of Louisiana received \$6,000 of income from the Foundation for these expenses in the year ended June 30, 2010 and 2009 which has been eliminated against beneficial interest in the Foundation.

**5. Beneficial Interest in the Arc of Louisiana Foundation**

Due to the adoption of the FASB Accounting Standards Codification regarding Transfers of Assets to a Not-for-Profit Organization that Raises or Holds Contributions for Others, the net assets of The Arc of Louisiana Foundation (the Foundation) are treated as a beneficial interest asset on the Organization's financial statements. The effect of FAS 136 was for the Organization to recognize a beneficial interest in the net assets of the Foundation, similar to the equity method of accounting. As of June 30, 2010 and 2009, the beneficial interest in the Foundation was \$1,391,690 and \$1,363,067, respectively. Of that amount, \$1,219,210 is permanently restricted for each year based on the terms of an endowment received by the Foundation.

**6. Leases**

The Organization committed to a lease for telephone equipment in September 2009 for 36 months. The Organization also committed to a lease for the copier in August 2008 for 48 months. Future minimum lease payments consist of the following as of June 30,:

	<u>Amount</u>
2011	\$ 4,193
2012	3,965
2013	<u>661</u>
Total	<u>\$ 8,819</u>

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**7. Correction of an Error**

An error in 2008 that resulted in understating liabilities and over stating revenue relating to a revolving loan grant was discovered in the current year. This also resulted in the overstatement of previously reported net assets. This error was corrected in the current year resulting in the following change to net assets as of June 30, 2008:

Unrestricted net assets, as previously reported	\$ 403,654
Correction of an error	<u>(20,000)</u>
Unrestricted net assets, as restated	<u>\$ 383,654</u>

**8. Subsequent Events**

Management has evaluated subsequent events through December 16, 2010 the date the financial statements were available to be issued, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The Arc of Louisiana  
Baton Rouge, Louisiana

We have audited the financial statements of The Arc of Louisiana as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 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 Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Arc of Louisiana'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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Arc of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
December 16, 2010

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDITORS' RESULTS**

Type of auditors' report issued: Unqualified

- Material weakness(es) identified?                     yes     no
- Significant deficiencies identified that are  
not considered to be material weaknesses?             yes     none reported

Noncompliance material to financial  
statements noted?                                             yes     no

**B. FINDINGS AND QUESTIONED COSTS**

None

**C. MANAGEMENT LETTER COMMENTS**

None

**THE ARC OF LOUISIANA**  
**BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**MANAGEMENT LETTER COMMENTS AND AUDIT FINDINGS**

**A. SIGNIFICANT DEFICIENCIES**

None

**B. MANAGEMENT LETTER COMMENTS**

None