The Arc of Greater New Orleans

FINANCIAL STATEMENTS

June 30, 2022 and 2021

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REPORT

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of the Arc of Greater New Orleans (the Organization), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Metairie, LA
January 3, 2023

FINANCIAL STATEMENTS

The Arc of Greater New Orleans
Statements of Financial Position

June 30,		**2022**		2021
Assets				
Current assets				
Cash and cash equivalents	**$**	**1,968,437**	$	1,736,882
Accounts receivable		**571,539**		381,724
Employee retention tax credit receivable		**399,162**		1,401,049
Prepaid expenses		**103,591**		59,827
Restricted trust fund		**37,813**		43,114
Other current assets		**2,083**		2,083
Total current assets		**3,082,625**		3,624,679
Property and equipment, net		**1,468,000**		1,178,444
Total assets	**$**	**4,550,625**	$	4,803,123
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	**$**	**471,786**	$	484,922
Compensated absences		**104,470**		98,027
Refundable advance - Paycheck Protection Program (PPP)		**-**		893,575
Current maturities of notes payable		**279,968**		317,648
Total current liabilities		**856,224**		1,794,172
Notes payable, less current maturities		**12,851**		8,677
Total liabilities		**869,075**		1,802,849
Net assets				
Without donor restrictions		**3,638,050**		2,929,774
With donor restrictions		**43,500**		70,500
Total net assets		**3,681,550**		3,000,274
Total liabilities and net assets	**$**	**4,550,625**	$	4,803,123

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

For the years ended June 30,	**Without Donor Restrictions**	**With Donor Restrictions**	**2022 Total**	2021 Summarized Total
Revenues and Other Support				
Federal grant income	**$ 104,193**	**$ -**	**$ 104,193**	$ 399,286
Contributions of cash and other financial assets	**232,880**	**43,355**	**276,235**	146,597
Contributions of nonfinancial assets	**62,394**	**-**	**62,394**	62,394
United Way allocations	**48,211**	**-**	**48,211**	42,963
Client fees	**892,083**	**-**	**892,083**	482,795
Medicaid	**5,804,254**	**-**	**5,804,254**	4,915,296
Group home	**42,235**	**-**	**42,235**	38,208
PPP loan forgiveness	**893,575**	**-**	**893,575**	598,705
Other income	**40,057**	**-**	**40,057**	15,000
Other income - ERTC benefit	**-**	**-**	**-**	1,401,049
Net assets released from restrictions	**70,355**	**(70,355)**	**-**	-
Total revenue and other support	**8,190,237**	**(27,000)**	**8,163,237**	8,102,293
Expenses				
Program services				
Employment services	**133,364**	**-**	**133,364**	121,855
Individual options	**1,637,669**	**-**	**1,637,669**	1,529,815
Residential support and services	**3,263,150**	**-**	**3,263,150**	3,029,911
Arc enterprises	**1,091,883**	**-**	**1,091,883**	996,417
Family service coordination	**270,374**	**-**	**270,374**	218,574
Total program services	**6,396,440**	**-**	**6,396,440**	5,896,572
Supporting services				
General and administrative	**1,085,521**	**-**	**1,085,521**	1,273,819
Total supporting services	**1,085,521**	**-**	**1,085,521**	1,273,819
Total expenses	**7,481,961**	**-**	**7,481,961**	7,170,391
Change in Net Assets	**708,276**	**(27,000)**	**681,276**	931,902
Net assets at beginning of year	**2,929,774**	**70,500**	**3,000,274**	2,068,372
Net assets at end of year	**$ 3,638,050**	**$ 43,500**	**$ 3,681,550**	$ 3,000,274

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

The Arc of Greater New Orleans
Statements of Functional Expenses

For the year ended June 30,	Program Services: Employment services	Program Services: Individual options	Program Services: Residential support and services	Program Services: Arc enterprises	Program Services: Family services coordination	Supporting Services: General and administrative	2022 Total	2021 Summarized Total
Salaries	$ 94,767	$ 782,995	$ 2,714,839	$ 496,755	$ 197,915	$ 605,931	**$ 4,893,202**	$ 4,725,092
Benefits	2,522	45,838	92,240	40,101	14,230	41,345	**236,276**	262,774
Payroll taxes	7,333	60,655	211,999	38,910	14,941	46,462	**380,300**	342,662
Professional services	3,321	15,776	55,523	21,353	10,909	135,910	**242,792**	313,874
Supplies	670	615	2,245	3,066	609	23,669	**30,874**	36,348
Advertising	608	28,394	15,605	2,849	1,095	32,720	**81,271**	58,535
Telephone	1,043	6,149	7,133	8,645	5,091	8,152	**36,213**	57,861
Postage	-	45	8	15	14	1,665	**1,747**	6,314
Occupancy	6,649	120,765	61,306	134,564	15,270	35,677	**374,231**	321,325
Repairs and maintenance	4,476	147,717	6,780	97,873	5,712	26,823	**289,381**	258,148
Local transportation	974	268,097	11,536	133,238	446	10,427	**424,718**	339,518
Travel, conferences, and training	4,105	7,711	22,729	9,866	682	41,547	**86,640**	67,672
Printing and publications	339	290	175	-	-	818	**1,622**	5,877
Membership dues	310	855	4,635	947	318	4,672	**11,737**	14,681
Other expenses	5,675	73,681	51,469	18,348	698	40,038	**189,909**	154,894
Payments to affiliates	108	533	2,842	517	201	9,643	**13,844**	9,946
Interest	-	1,625	-	13,161	-	1,416	**16,202**	19,145
Bad debt expense	-	63	2,086	2,521	2,243	-	**6,913**	8,156
Depreciation and amortization	464	75,865	-	69,154	-	18,606	**164,089**	167,569
Total	**$ 133,364**	**$ 1,637,669**	**$ 3,263,150**	**$ 1,091,883**	**$ 270,374**	**$ 1,085,521**	**$ 7,481,961**	$ 7,170,391

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

The Arc of Greater New Orleans
Statements of Cash Flows

For the years ended June 30,		**2022**		2021
Cash Flows from Operating Activities				
Change in net assets	**$**	**681,276**	$	931,902
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Gain on disposal of property		**(2,000)**		(15,000)
In-kind vehicle contribution		**-**		-
Bad debt expense		**(6,913)**		(8,156)
Depreciation		**164,089**		167,569
Forgiveness of refundable advance - PPP		**(893,575)**		(598,705)
Changes in operating assets and liabilities:				
Accounts receivable		**(182,902)**		171,713
ERTC receivable		**1,001,887**		(1,401,049)
Inventory		**-**		7,079
Prepaid expenses		**(43,764)**		(38,385)
Restricted trust fund		**5,301**		(15,517)
Other current assets		**-**		1,922
Accounts payable and accrued expenses		**(13,136)**		80,220
Compensated absences		**6,443**		2,528
Net cash provided by (used in) operating activities		**716,706**		(713,879)
Investing Activities				
Purchases of property and equipment		**(453,645)**		(31,498)
Proceeds from sale of property and equipment		**2,000**		15,000
Net cash provided by (used in) investing activities		**(451,645)**		(16,498)
Financing Activities				
Proceeds from from refundable advance - PPP		**-**		1,079,325
Proceeds from line of credit		**300,000**		-
Payments on line of credit		**(300,000)**		-
Payments on notes payable		**(33,506)**		(28,406)
Net cash provided by (used in) financing activities		**(33,506)**		1,050,919
Net change in cash and cash equivalents		**231,555**		320,542
Cash and cash equivalents at beginning of year		**1,736,882**		1,416,340
Cash and cash equivalents at end of year	**$**	**1,968,437**	$	1,736,882
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid for interest	**$**	**16,202**	$	19,145

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

Note 1: DESCRIPTION OF ORGANIZATION

The Arc of Greater New Orleans (the Organization) was incorporated in July 1953. The Organization is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Family Services Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Arc Enterprises (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a five-parish area (Orleans, Jefferson, Plaquemines, St. Tammany 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 five-parish area.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to accumulated depreciation and amortization and allocation of expenses by function.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

All receivables at June 30, 2022 and 2021, are considered collectible by management; accordingly, an allowance for doubtful accounts is not considered necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Restricted Trust Fund

The Organization has a trust fund set up with the 501(c) Agencies Trust which is used for the payment of any unemployment claims that arise during the year. The Organization has a reimbursable account with the Louisiana Workforce Commission (LWC), so when a claim is made LWC pays the unemployment and the Organization then reimburses the LWC through their trust account with 501(c) Agencies Trust. For the years ended June 30, 2022 and 2021 the amount available in the trust for unemployment claims was $37,813 and $43,114, respectively.

Property and Equipment

All acquisitions of property and equipment in excess of $1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimates useful lives of the asset. For leasehold improvements, the assets is amortized over the shorter of the estimated useful life of the asset or the lease term.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount of the asset, an impairment loss is recognized. Long-lived assets and certain intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. The Organization did not record an impairment of long-lived assets for the years ended June 30, 2022 and 2021.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (continued)

broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Revenue Recognition

Program service fees and payments under various contracts are accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, the Organization recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. Income from program service fees received in advance are deferred and recognized over the periods to which the dates and fees relate. There were no amounts included in performance obligation liabilities within the statements of financial position.

Medicaid revenues and client fees are recognized at the time of service which is commensurate with the performance obligation met. Medicaid revenue is recognized based on the Medicaid fee

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

schedule provided by the Louisiana Medicaid manual. Client fee revenue is recognized based on the price set by the Organization for the level of service provided.

A significant portion of the Organization's grants and contracts are from government agencies. These benefits received by the public as a result of the assets transferred is not equivalent to commensurate value received by the government agencies and are therefore not considered exchange transactions. Grants and contracts are analyzed for measurable performance-related barriers or other barriers. Revenue is recognized as barriers are met. Funds received from non-exchange transactions in advance of barriers being met are recorded as refundable advances.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Employee Retention Tax Credit

The Organization is accounting for the employee retention tax credit in accordance with FASB ASC 958-605, as a conditional government grant, recognizing the revenue and receivable as the conditions of the grant are met. See Note 17.

Payroll Protection Program

The Organization is accounting for the paycheck protection program loan as a financial liability at June 30, 2021 following the guidance in accordance with FASB ASC 470. See Note 16.

Contributed Nonfinancial Assets

The Organization recognized contributed nonfinancial assets within revenue, including contributions of the use of buildings. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to maintenance and upkeep of the entire facility are allocated across functional areas based on a fixed percentage.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June, 30 2022 and 2021, advertising costs totaled $81,271 and $58,535, respectively.

Accrued Compensated Absences

Accumulated paid time off leave up to 80 hours is recorded for administrative employees as an expense and liability as the benefits accrue to employees.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income results from rent, administration of self-insurance activities, and commissions. The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June, 30 2022 and 2021, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 3, 2023. See Note 8 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information.

Effectively July 1, 2021, the Organization adopted ASU 2020-07 using the retrospective method, under which contributions of nonfinancial assets are presented separately on the statements of activities at June 30, 2022 and 2021. A description of contributed nonfinancial assets and related qualitative information is disclosed at Note 11.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization elected not to early adopt the provisions of ASU 2016-02 for the year ended June 30, 2022. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial positon date, reduced by amounts not available for general use within one year of the statement of financial positon date because of contractual or donor-imposed restrictions.

June 30,	**2022**	2021
Total assets at year end	**$ 4,550,625**	$ 4,803,123
Less non-financial assets		
Prepaid expenses	**(103,591)**	(59,827)
Property and equipment, net	**(1,468,000)**	(1,178,444)
Financial assets at year-end	**$ 2,979,034**	$ 3,564,852
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted trust fund	**(37,813)**	(43,114)
Restricted by donor with time or purpose restrictions	**(43,500)**	(70,500)
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,897,721**	$ 3,451,238

The Organization is principally supported by its dues and fees charged for the services it provides. The goal of the Organization is to maintain available financial assets to meet its next 90 days of operating expenses of approximately $1,900,000. In the event of unanticipated liquidity needs, the Organization has a line of credit with available borrowings of $250,000.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30:

June 30,	**2022**	2021
Medicaid	**$ 351,149**	$ 270,789
Other	**220,390**	110,935
Accounts receivable, net	**$ 571,539**	$ 381,724

For the years ended June 30, 2022 and 2021, management wrote off $6,913 and $8,156, respectively, of outstanding receivables.

Note 5: PROPERTY AND EQUIPMENT, NET

The components of property and equipment at June 30, 2022 and 2021, are as follows:

	Estimated Useful Lives (in years)	**2022**	2021
Buildings	10-31	**$ 380,280**	$ 380,280
Leasehold improvements	10-31	**1,626,322**	1,175,518
Furniture and equipment	3-10	**341,722**	338,882
Autos, trucks, and tractors	3-10	**1,429,229**	1,429,229
Total property and equipment		**3,777,553**	3,323,909
Less: accumulated depreciation and amortization		**(2,309,553)**	(2,145,465)
Property and equipment, net		**$ 1,468,000**	$ 1,178,444

Depreciation and amortization expense was $164,089 and $167,569 for the years ended June 30, 2022 and 2021, respectively.

Note 6: COMPENSATED ABSENCES

The Organization's employees receive from eight to twenty 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 $104,470 and $98,027 at June 30, 2022 and 2021, respectively.

Note 7: NOTES PAYABLE

Notes payable at June 30, 2022 and 2021, consists of the following:

June 30,	2022	2021
4.95% note payable, dated February 14, 2014, due on demand, secured by real property. If no demand is made, the note is due February 14, 2034, payable in monthly installments to Gulf Coast Bank of $2,487, including interest.	**$ 267,836**	$ 284,395
7.19% note payable, dated June 10, 2019, due June 10, 2025, payable in monthly installments to Ford Motor Credit of $518, including interest, secured by real property.	**16,889**	21,745
6.94% note payable, dated May 24, 2017, paid in full on June 22, 2022, payable in monthly installments to Ford Motor Credit of $593, including interest, secured by real property.	**-**	6,195
8.90% note payable, dated September 13, 2018, due September 13, 2022, payable in monthly installments to Ally Bank of $547, including interest, secured by real property.	**8,094**	13,990
Total notes payable	**292,819**	326,325
Current maturities of notes payable	**(279,968)**	(317,648)
Notes payable, long-term	**$ 12,851**	$ 8,677

Interest expense on notes payable for the years ended June 30, 2022 and 2021 was $16,202 and $19,145, respectively.

If no demand is made on the above notes payable, maturities of notes payable subsequent to June 30, 2022, are as follows:

For the years ending June 30,	
2023	$ 28,653
2024	25,134
2025	24,225
2026	19,656
2027	20,651
Thereafter	174,500
Total	**$ 292,819**

Note 8: LINE OF CREDIT

The Organization has a line of credit available totaling $250,000 with a maturity date of August 30, 2022. Subsequent to year-end, the Organization renewed the line of credit and extended the maturity date to September 30, 2023. The unpaid principal balance bears interest at the Prime Rate,

Note 8: LINE OF CREDIT (Continued)

adjusted daily. The interest rate at June 30, 2022 and 2021 was 5.50% and 4.95%, respectively. Interest payments are due monthly. At June 30, 2022 and 2021, the Organization did not have an outstanding balance on its line of credit. Subsequent to year end through the date of this report, the Organization has not drawn on the line of credit.

Note 9: NET ASSETS

A summary of net assets without donor restrictions follows:

June 30,	**2022**	2021
Undesignated	**$ 3,638,050**	$ 2,929,774
Total net assets without donor restrictions	**$ 3,638,050**	$ 2,929,774

A summary of net assets with donor restrictions follows:

June 30,	**2022**	2021
Purpose restricted		
Program activities	**$ 43,500**	$ 18,500
Community center renovations	**-**	52,000
Total net assets with donor restrictions	**$ 43,500**	$ 70,500

A summary of the release of donor restrictions follows:

For the years ended June 30,	**2022**	2021
Purpose restrictions		
Program activities	**$ 33,355**	$ 21,402
Community center renovations	**37,000**	21,995
Total net assets with donor restrictions	**$ 70,355**	$ 43,397

Note 10: REVENUE

The Organization recognizes 100% of its revenue at a point in time, which consists of all grants, contributions of financial assets, client fees, Medicaid reimbursements, group home revenue, and other income. For the years ended June 30, 2022 and 2021, the Organization earned 71% and 61%, respectively, of its support and revenues from Medicaid reimbursement arrangements. The Organization received a fixed rate per encounter for its Medicaid program.

Note 10: REVENUE (Continued)

Accounts receivable included $351,149 and $270,789 from Medicaid reimbursement sources for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, Medicaid receivables account for 61% and 71% of total accounts receivable, respectively.

Contract Balances

For the years ended June 30,		**2022**		2021
Receivable from contracts, beginning of year	**$**	**381,724**	$	545,281
Receivable from contracts, end of year	**$**	**571,539**	$	381,724
Contract liabilities, beginning of year	**$**	**-**	$	-
Contract liabilities, end of year	**$**	**-**	$	-

Note 11: CONTRIBUTIONS OF NONFINANCIAL ASSETS

During 2022 and 2021, the Organization was furnished free use of facilities at four locations from unrelated parties. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of an adult day habilitation facility. In valuing the contributed use of the buildings, which are located in Greater New Orleans Area, the Organization estimates the fair value on the basis of recent comparable lease prices in the Greater New Orleans Area real estate market. The aggregate fair market value of the use of these facilities is approximately $5,200 per month.

These amounts are recorded as contributions of nonfinancial assets in support and revenues in the statements of activities, and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to $62,394 for the years ended June 30, 2022 and 2021. The commitments for the use of these facilities expire at various times through 2030.

Note 12: CONCENTRATIONS OF CREDIT RISK

The Organization has concentrated its credit risk by maintaining deposits in banks that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to $250,000. During the year ended June 30, 2021, the Organization began maintaining deposits within a promontory insured cash sweep account. This account allows entities who maintain balances greater than the FDIC insurable limits to maintain their funds within their financial institution while funds are then placed between other reputable banks, allowing for an increase in coverage without the entity having to move the funds themselves.

At June 30, 2022, the Organization had no cash deposits in excess of the FDIC insured limit. At June 30, 2021, the Organization had cash deposits in excess of the FDIC insured limit of $122,413.

Note 13: ECONOMIC DEPENDENCY

The Organization receives federal and 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.

Note 14: DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution plan (the Plan) covering all employees who agree to make contributions to the Plan. The Organization matches 50% of participants' contributions to the Plan up to 6% of the individual participant's compensation. Total expense for the years ended June 30, 2022 and 2021 was $33,464 and $40,485, respectively.

Note 15: PAYMENTS TO AFFILIATES

The Organization paid $13,844 and $9,946 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2022 and 2021, respectively for annual dues.

During the year ended June 30, 2022, the Organization incurred expenses totaling $105,026 for Hurricane Ida related repairs and expenses and were payable to a business which is owned by a board member. The expenses are shown net of insurance proceeds and are included in program services on the statements of activities (see Note 19). At June 30, 2022, $41,613 of these expenses remained outstanding, and are included in accounts payable and accrued expenses on the statements of financial position.

Note 16: PAYCHECK PROTECTION PROGRAM

The PPP provides for forgivable loans to qualifying businesses. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities. The Organization believes it has met all the criteria for forgiveness of its second PPP loan and the likelihood of repayment is remote. Further, loans issued under $2 million may be subject to audit by the SBA. The Organization may be required to return a portion of the loan proceeds at the conclusion of the SBA audit. Any proceeds required to be returned will be repaid under the statutory terms of the PPP Program, including interest at 1%.

In April 2020, in response to the global pandemic, the Organization applied for and received a $1,299,600 loan through the Paycheck Protection Program under the CARES Act. Additionally, in March 2021, the Organization applied for and received a second loan in the amount of $1,079,325 through the Paycheck Protection Program under the CARES Act.

Note 16: PAYCHECK PROTECTION PROGRAM (Continued)

The Organization applied for forgiveness of its first loan for $1,299,600 and recorded $412,955 as PPP loan forgiveness revenue during fiscal year-end 2021, and $886,645 as PPP loan forgiveness revenue during fiscal year-end 2020. The Organization received notice that the full $1,299,600 and related interest had been forgiven.

The Organization applied for forgiveness of its second loan for $1,079,325 and recorded $893,575 as PPP loan forgiveness revenue during fiscal year-end 2022, and $185,750 as PPP loan forgiveness revenue during fiscal year-end 2021. During the fiscal year-end 2022, the Organization received notice that the full $1,079,325 and related interest had been forgiven.

Note 17: EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. The Organization met the conditions to qualify for the tax credit under the CARES Act for the year ended June 30, 2021.

During the fiscal year ended June 30, 2021, the Organization filed amended payroll tax returns for the first two quarters of 2021 and recorded $1,401,049 related to the CARES Employee Retention Credit in other income on the statements of activities and a corresponding receivable at June 30, 2021. As of June 30, 2022, the Organization received $1,001,887 of the available tax credit, and $399,162 of the available tax credit remained outstanding.

Note 18: CONTINGENCIES AND UNCERTAINTIES

The Organization is not aware of any pending or actual litigation effecting the Organization. In the normal course of operations there is the potential that the Organization could become subject to litigation. The Organization believes that there is proper insurance coverage on place to mitigate the negative impacts of any litigation.

Note 19: HURRICANE IDA

On August 29, 2021, Hurricane Ida made landfall on the Gulf Coast area causing widespread damage throughout the region, including the Greater New Orleans area. Program services in the

Note 19: HURRICANE IDA (Continued)

statement of activities reflects $53,352 in hurricane and related expenses net of insurance proceeds (costs incurred of $196,867 net of insurance proceeds received of $143,515) for the year ended June 30, 2022. The costs incurred to date through June 30, 2022 were not capital in nature and consisted primarily of disaster recovery cleanup, temporary repairs to two facilities which were contributed in-kind (see Note 11), and evacuation related expenses. The Organization also qualified for assistance through the Federal Emergency Management Association (FEMA) for certain costs that were not reimbursed by insurance. The Organization filed a claim with FEMA in fiscal 2022 and received $27,532 in eligible reimbursements.

SUPPLEMENTARY INFORMATION

The Arc of Greater New Orleans
Schedule of Compensation, Benefits, and Other Payments to Agency Head

Agency Head Name: Stephen Sauer, Executive Director July 1, 2021 - December 14, 2021

For the Year Ended June 30,	**2022**
Purpose	***Amount***
Salary	$ -
Benefits-health insurance	-
Benefits-retirement	-
Deferred compensation	-
Workers comp	-
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-FICA & Medicare	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings & conventions	-
Other	-
Total	**$ -**

*There were no payments for the benefit of the Executive Director that were derived from public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that the Organization receives.

The Arc of Greater New Orleans
Schedule of Compensation, Benefits, and Other Payments to Agency Head

Agency Head Name: Sandee Williamson, Interim Executive Director (December 14, 2021 - June 30, 2022)

For the Year Ended June 30,		**2022**
Purpose		***Amount***
Salary	**$**	**-**
Benefits-health insurance		**-**
Benefits-retirement		**-**
Deferred compensation		**-**
Workers comp		**-**
Benefits-life insurance		**-**
Benefits-long term disability		**-**
Benefits-FICA & Medicare		**-**
Car allowance		**-**
Vehicle provided by government		**-**
Cell phone		**-**
Dues		**-**
Vehicle rental		**-**
Per diem		**-**
Reimbursements		**-**
Travel		**-**
Registration fees		**-**
Conference travel		**-**
Unvouchered expenses		**-**
Meetings & conventions		**-**
Other		**-**
Total	**$**	**-**

*There were no payments for the benefit of the Executive Director that were derived from public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that the Organization receives.

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INDEPENDENT AUDITORS' 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 of
The Arc of Greater New Orleans
Metairie, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as item 2022-01 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings as item 2022-02 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

January 3, 2023

SECTION I - SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of The Arc of Greater New Orleans (the Organization) (a nonprofit organization),

2. No instances of noncompliance material to the financial statements of the Organization were disclosed and identified during the audit.

3. No instances of noncompliance with laws, rules, and regulations that were disclosed and identified during the audit.

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2022-001
Repeat Finding: No
Finding Type: Material Weakness in Internal Controls Over Financial Reporting – Year End Reporting

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, material misstatements in the financial reporting of the Organization.

Condition

There were several instance where the audit adjustments proposed and accepted by management in the prior year financial statement audit were not properly recorded to the Organization's financial statement.

Cause of Condition

The Organization experienced turnover of key accounting and executive personnel responsible for financial reporting during the fiscal year-end close process. The Organization implemented interim executives and personnel until the Organization could find full time replacements. Although the Organization had replacement personnel in the interim, the formal year-end close procedures were not followed which made it challenging to effectively record year-end close adjustments.

Effect of Condition

The lack of proper controls over financial reporting resulted in approximately $1,788,000 of current year audit adjustments to correct beginning net asset balances.

Finding 2022-001 (Continued)
Repeat Finding: No
Finding Type: Material Weakness in Internal Controls Over Financial Reporting – Year End Reporting

Recommendation

Management should ensure audit adjustments are recorded in the trial balance on an annual basis.

View of Responsible Officials and Planned Corrective Actions

Management concurs with the auditors' finding and recommendation. Management will implement a formal year-end close that includes a retrospective review of audit adjustments.

Finding 2022-002
Repeat Finding: No
Finding Type: Significant Deficiency in Internal Controls Over Financial Reporting – Grants and Contributions of Nonfinancial Assets

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, material misstatements in the financial reporting of the Organization.

Condition

There was one instance of an adjustment that was needed to record grant revenues received for the purchase of property and equipment.

Cause of Condition

The Organization properly approved and monitored grant funding received for the purchase of property and equipment. However, the grant funding received for the purchase of property and equipment was not properly reconciled, which resulted in misstated activity related to grant funding and property and equipment.

Effect of Condition

The failure to implement the Organization's control over reconciling grants to supporting award letters resulted in approximately $190,000 of audit adjustments to correct material misstatements.

Finding 2022-002 (Continued)
Repeat Finding: No
Significant Deficiency in Internal Controls Over Financial Reporting – Grants and Contributions of Nonfinancial Assets

Recommendation

Management should review grant awards and contributions of nonfinancial assets and reconcile to the appropriate financial statement accounts to ensure grant funding and contributions of nonfinancial assets have been appropriately valued, classified and recorded in the trial balance on a monthly basis.

View of Responsible Officials and Planned Corrective Actions

Management concurs with the auditors' finding and recommendation. Management will implement controls that includes a review and reconciliation of significant grant awards and contributions of nonfinancial assets to their respective award letters.

SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

No findings noted.

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS

No findings noted.

SECTION III - FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

No findings noted.