
THE ARC OF GREATER NEW ORLEANS
METAIRIE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2023



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THE ARC OF GREATER NEW ORLEANS

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditor's Report</u>	1-3
<u>Financial Statements</u>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
<u>Notes to Financial Statements</u>	9-20
<u>Supplementary Information</u>	
Schedule of Compensation, Benefits, and Other Payments to Agency Head	21
<u>Reports Required by <i>Government Auditing Standards</i></u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit on Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Schedule of Findings and Responses	24
Schedule of Prior Audit Findings and Responses	25



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Arc of Greater New Orleans (the Organization, a nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, 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 present fairly, in all material respects, the financial position of The Arc of Greater New Orleans as of June 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement 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 opinions.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2022, were audited by predecessor auditors whose report dated January 3, 2023, expressed an unmodified opinion on those financial statements.

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 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.

Auditor's 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 auditor's 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 and *Government 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 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 and *Government 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information on page 21 is presented for 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 December 31, 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 solely 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 effectiveness of the Organization's 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.

Richard CPAS

Metairie, Louisiana
December 31, 2023

THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,030,565	\$ 1,968,437
Accounts receivable, net	1,429,972	571,539
Employee retention tax credit receivable	-	399,162
Prepaid expenses	193,157	105,674
Restricted trust fund	33,341	37,813
Land and building held for sale	294,129	-
Total current assets	<u>3,981,164</u>	<u>3,082,625</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>1,346,827</u>	<u>1,468,000</u>
<u>TOTAL ASSETS</u>	<u><u>\$ 5,327,991</u></u>	<u><u>\$ 4,550,625</u></u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 189,870	\$ 143,158
Salaries payable	832,321	328,628
Compensated absences	80,657	104,470
Current maturities of notes payable	250,478	279,968
Total current liabilities	<u>1,353,326</u>	<u>856,224</u>
Notes payable, less current maturities	<u>-</u>	<u>12,851</u>
<u>TOTAL LIABILITIES</u>	<u>1,353,326</u>	<u>869,075</u>
<u>NET ASSETS</u>		
Without donor restrictions	3,932,165	3,638,050
With donor restrictions	42,500	43,500
<u>TOTAL NET ASSETS</u>	<u>3,974,665</u>	<u>3,681,550</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$ 5,327,991</u></u>	<u><u>\$ 4,550,625</u></u>

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

THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<u>REVENUES AND SUPPORT</u>						
Federal grant income	\$ -	\$ -	\$ -	\$ 104,193	\$ -	\$ 104,193
Contributions	59,398	87,500	146,898	232,880	43,355	276,235
In-kind contributions	115,844	-	115,844	62,394	-	62,394
United Way allocations	42,742	-	42,742	48,211	-	48,211
Product sales and services	873,798	-	873,798	892,083	-	892,083
Medicaid	7,102,774	-	7,102,774	5,804,254	-	5,804,254
Group home	82,215	-	82,215	42,235	-	42,235
PPP loan forgiveness	-	-	-	893,575	-	893,575
Employee retention tax credit income	340,481	-	340,481	-	-	-
Insurance proceeds	221,194	-	221,194	143,515	-	143,515
Other income	18,271	-	18,271	40,057	-	40,057
Net asset released from restrictions	88,500	(88,500)	-	70,355	(70,355)	-
Total revenue and other support	8,945,217	(1,000)	8,944,217	8,333,752	(27,000)	8,306,752
<u>EXPENSES</u>						
Program services:						
Employment services	153,290	-	153,290	133,364	-	133,364
Individual options	1,826,542	-	1,826,542	1,637,669	-	1,637,669
Residential support and services	3,892,082	-	3,892,082	3,263,150	-	3,263,150
Arc enterprises	1,319,750	-	1,319,750	1,091,883	-	1,091,883
Family services coordination	312,202	-	312,202	270,374	-	270,374
Total program services	7,503,866	-	7,503,866	6,396,440	-	6,396,440
Supporting services:						
General and administrative	1,147,236	-	1,147,236	1,229,036	-	1,229,036
Total supporting services	1,147,236	-	1,147,236	1,229,036	-	1,229,036
Total expenses	8,651,102	-	8,651,102	7,625,476	-	7,625,476
<u>CHANGE IN NET ASSETS</u>	294,115	(1,000)	293,115	708,276	(27,000)	681,276
<u>NET ASSETS, BEGINNING OF YEAR</u>	3,638,050	43,500	3,681,550	2,929,774	70,500	3,000,274
<u>NET ASSETS, END OF YEAR</u>	\$ 3,932,165	\$ 42,500	\$ 3,974,665	\$ 3,638,050	\$ 43,500	\$ 3,681,550

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, 2023

	Program Services						Supporting Services	
	Employment services	Individual options	Residential support and services	Arc enterprises	Family Services Coordination	Total Program Services	General and administrative	Total
Salaries	\$ 107,483	\$ 995,557	\$ 3,204,140	\$ 640,560	\$ 225,949	\$ 5,173,689	\$ 671,007	\$ 5,844,696
Payroll taxes	8,287	76,953	249,827	47,911	17,458	400,436	51,236	451,672
Occupancy	8,674	136,393	84,153	143,550	16,470	389,240	38,952	428,192
Local transportation	738	166,261	15,981	214,987	623	398,590	759	399,349
Professional services	4,986	39,592	114,163	29,047	13,283	201,071	177,493	378,564
Benefits	4,132	62,349	119,413	46,124	14,267	246,285	44,715	291,000
Repairs and maintenance	4,131	145,569	5,498	77,472	6,374	239,044	25,150	264,194
Depreciation and amortization	817	87,388	-	70,949	-	159,154	31,652	190,806
Other expenses	2,634	75,493	7,391	6,379	850	92,747	38,610	131,357
Travel, conferences, and training	1,259	8,123	37,368	7,784	2,631	57,165	25,582	82,747
Supplies	420	1,207	2,575	8,130	1,481	13,813	22,837	36,650
Bad debt expense	7,500	7,300	13,954	377	6,851	35,982	-	35,982
Advertising	483	14,144	12,984	2,285	930	30,826	4,855	35,681
Telephone	1,153	5,931	8,633	9,189	3,876	28,782	5,897	34,679
Membership dues	290	1,700	7,900	1,357	571	11,818	2,910	14,728
Payments to affiliates	299	1,680	7,993	1,346	571	11,889	1,955	13,844
Interest	-	132	-	12,284	-	12,416	-	12,416
Postage	-	244	-	-	9	253	3,014	3,267
Printing and publications	4	526	109	19	8	666	612	1,278
Total	<u>\$ 153,290</u>	<u>\$ 1,826,542</u>	<u>\$ 3,892,082</u>	<u>\$ 1,319,750</u>	<u>\$ 312,202</u>	<u>\$ 7,503,866</u>	<u>\$ 1,147,236</u>	<u>\$ 8,651,102</u>

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

(continued)

THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services						Supporting Services	
	Employment services	Individual options	Residential support and services	Arc enterprises	Family Services Coordination	Total Program Services	General and administrative	Total
Salaries	\$ 94,767	\$ 782,995	\$ 2,714,839	\$ 496,755	\$ 197,915	\$ 4,287,271	\$ 605,931	\$ 4,893,202
Payroll taxes	7,333	60,655	211,999	38,910	14,941	333,838	46,462	380,300
Occupancy	6,649	120,765	61,306	134,564	15,270	338,554	35,677	374,231
Local transportation	974	268,097	11,536	133,238	446	414,291	10,427	424,718
Professional services	3,321	15,776	55,523	21,353	10,909	106,882	135,910	242,792
Benefits	2,522	45,838	92,240	40,101	14,230	194,931	41,345	236,276
Repairs and maintenance	4,476	147,717	6,780	97,873	5,712	262,558	26,823	289,381
Depreciation and amortization	464	75,865	-	69,154	-	145,483	18,606	164,089
Other expenses	5,675	73,681	51,469	18,348	698	149,871	183,553	333,424
Travel, conferences, and training	4,105	7,711	22,729	9,866	682	45,093	41,547	86,640
Supplies	670	615	2,245	3,066	609	7,205	23,669	30,874
Bad debt expense	-	63	2,086	2,521	2,243	6,913	-	6,913
Advertising	608	28,394	15,605	2,849	1,095	48,551	32,720	81,271
Telephone	1,043	6,149	7,133	8,645	5,091	28,061	8,152	36,213
Membership dues	310	855	4,635	947	318	7,065	4,672	11,737
Payments to affiliates	108	533	2,842	517	201	4,201	9,643	13,844
Interest	-	1,625	-	13,161	-	14,786	1,416	16,202
Postage	-	45	8	15	14	82	1,665	1,747
Printing and publications	339	290	175	-	-	804	818	1,622
Total	<u>\$ 133,364</u>	<u>\$ 1,637,669</u>	<u>\$ 3,263,150</u>	<u>\$ 1,091,883</u>	<u>\$ 270,374</u>	<u>\$ 6,396,440</u>	<u>\$ 1,229,036</u>	<u>\$ 7,625,476</u>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 293,115	\$ 681,276
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of property	(7,064)	(2,000)
In-kind donation of property and equipment	(40,000)	-
Bad debt expense	35,982	6,913
Depreciation	190,806	164,089
PPP loan forgiveness	-	(893,575)
Changes in operating assets and liabilities:		
Accounts receivable	(894,415)	(196,728)
Employee retention tax credit receivable	399,162	1,001,887
Prepaid expenses	(87,483)	(43,764)
Restricted trust fund	4,472	5,301
Accounts payable and accrued expenses	46,712	(32,089)
Salaries payable	503,693	18,953
Compensated absences	(23,813)	6,443
Net cash provided by operating activities	<u>421,167</u>	<u>716,706</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(323,762)	(453,645)
Proceeds from sale of property and equipment	7,064	2,000
Net cash used in investing activities	<u>(316,698)</u>	<u>(451,645)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from line of credit	-	300,000
Payments on line of credit	-	(300,000)
Payments on notes payable	(42,341)	(33,506)
Net cash used in financing activities	<u>(42,341)</u>	<u>(33,506)</u>
Net change in cash and cash equivalents	62,128	231,555
Cash and cash equivalents, beginning of year	<u>1,968,437</u>	<u>1,736,882</u>
Cash and cash equivalents, end of year	<u>\$ 2,030,565</u>	<u>\$ 1,968,437</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for interest	<u>\$ 12,416</u>	<u>\$ 6,913</u>
Leasehold improvements recorded as in-kind contribution	<u>\$ 40,000</u>	<u>\$ -</u>

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

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies

History and 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.

Basis of Accounting

The accompanying statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly, reflect all significant receivables, payables, and other liabilities. Under this method, revenues are recognized when earned, and expenses are recorded when incurred. Contributions are recognized when received or when unconditionally promised.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due from Medicaid reimbursements, grant agreements, and insurance proceeds. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivables are written off when deemed uncollectable. At June 30, 2023 and 2022, the allowance was \$0.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

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. As of June 30, 2023, and 2022, the amount available in the trust for unemployment claims was \$33,341 and \$37,813, respectively.

Property and Equipment

The Organization records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	10 to 31 years
Leasehold improvements	10 to 31 years
Furniture and equipment	3 to 10 years
Autos, trucks, and tractors	3 to 10 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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, 2023, and 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence of absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on the use of the net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in the corporate documents, and the application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of operations. The governing board has designated from net assets without restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and 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. 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 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 nonexchange 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.

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

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.

Payroll Protection Program

The Organization is accounting for the paycheck protection program (PPP) loan as a financial liability at June 30, 2021 in accordance with the guidance in FASB ASC 470.

Donated Services and In-Kind Contributions

Contributed nonfinancial assets include donated supplies, bead inventory, professional services, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$35,681 and \$81,271 during the years ended June 30, 2023, and 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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 facilities are allocated across functional areas based on a fixed percentage.

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.

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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, 2023, and 2022, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and the results of future periods could differ from those estimates, and those differences could be material.

New Accounting Pronouncements –Adopted

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. On June 3, 2020, the FASB deferred the effective date of this standard for certain entities. The Organization adopted this standard during the year ended June 30, 2023. The adoption of this standard did not have a material impact on the Organization's financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year-end:	2023	2022
Cash and cash equivalents	\$ 2,030,565	\$ 1,968,437
Accounts receivable	1,429,972	571,539
Employee retention tax credit receivable	-	399,162
Total financial assets	<u>3,460,537</u>	<u>2,939,138</u>
Less: amounts not available to be used within one year or unavailable for general expenditures:		
Salaries payable – Medicaid supplement	\$ 610,645	\$ -
Net assets with donor restrictions	<u>42,500</u>	<u>43,500</u>
	<u>653,145</u>	<u>43,500</u>
Total assets available to meet general expenditures over the next twelve months	<u>\$ 2,807,392</u>	<u>\$ 2,895,638</u>

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.

3. Accounts Receivable

Accounts receivable consisted as follows at June 30:

	2023	2022
Medicaid	\$ 392,313	\$ 351,149
Medicaid - supplement	682,800	-
Insurance receivable	146,652	-
Other	208,207	220,390
Accounts receivable, net	<u>\$ 1,429,972</u>	<u>\$ 571,539</u>

For the years ended June 30, 2023, and 2022, the Organization recorded bad debt expense of \$35,982 and \$6,913, respectively. At June 30, 2023 and 2022, the allowance for doubtful accounts on outstanding accounts receivable is \$0.

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

4. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Buildings	\$ -	\$ 380,280
Leasehold improvements	1,827,854	1,626,322
Furniture and equipment	351,487	341,722
Vehicles	1,460,803	1,429,229
Total Property and equipment	3,640,144	3,777,553
Less: accumulated depreciation	(2,293,317)	(2,309,533)
Property and equipment, net	<u>\$ 1,346,827</u>	<u>\$ 1,468,000</u>

Depreciation and amortization expenses were \$190,806 and \$164,089 for the years ended June 30, 2023, and 2022, respectively. The Organization disposed of \$121,947 of vehicles, with a net book value of \$0, during the year ended June 30, 2023.

At June 30, 2023, the land and building held for sale of \$294,129 is located in Covington, Louisiana. In July 2023, the Organization sold the building for cash proceeds of \$462,500 realizing a gain on the sale of \$167,727.

5. Notes Payable

Notes payable at June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
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.	\$ 250,478	\$ 267,836
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
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
Total notes payable	250,478	292,819
Current maturities of notes payable	(250,478)	(279,968)
Notes payable, long-term	<u>\$ -</u>	<u>\$ 12,851</u>

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

5. Notes Payable (continued)

Interest expense on notes payable for the years ended June 30, 2023, and 2022 was \$12,416 and \$16,202 respectively. In July 2023, the outstanding balance of the note payable with Gulf Coast Bank was paid in full.

6. Line of Credit

The Organization has a line of credit available totaling \$250,000 with a maturity date of September 30, 2023. The unpaid principal balance bears interest at the Prime Rate, adjusted daily. The interest rate at June 30, 2023 and 2022 was 9% and 5.50%, respectively. Interest payments are due monthly. At June 30, 2023 and 2022, the Organization did not have an outstanding balance on its line of credit. Subsequent to the year-end through the date of this report, the Organization has not drawn on the line of credit. Subsequent to year-end, the Organization renewed the line of credit for \$350,000 and extended the maturity date to August 22, 2024.

7. 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. At June 30, 2023 and 2022, the Organization recorded a liability for unpaid compensated absences of \$80,657 and \$104,470, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Program activities	\$ 8,500	\$ 3,500
Community center renovations	34,000	40,000
Total net assets with donor restrictions	<u>\$ 42,500</u>	<u>\$ 43,500</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Program activities	\$ 5,500	\$ 33,355
Community center renovations	83,000	37,000
Total net assets released from donor restrictions	<u>\$ 88,500</u>	<u>\$ 70,355</u>

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

9. 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, 2023, and 2022, the Organization earned 79% and 70%, respectively, of its support and revenues from Medicaid reimbursement arrangements. The Organization received a fixed rate per encounter for its Medicaid program. Accounts receivable included \$1,075,113 and \$351,149 from Medicaid reimbursement sources at June 30, 2023, and 2022, respectively. As of June 30, 2023, and 2022, Medicaid receivables account for 75% and 61% of total accounts receivable, respectively.

Contract balances consist of the following at June 30:

	2023	2022
Receivable from contracts, beginning of year	\$ 571,539	\$ 381,724
Receivable from contracts, end of year	\$ 1,283,320	\$ 571,539
Contract liabilities, beginning of year	-	-
Contract liabilities, end of year	-	-

10. Contributions of Nonfinancial Assets

The following is a summary of in-kind contributions recognized in the years ended June 30:

	2023	2022
Rent expense	\$ 62,394	\$ 62,394
Professional services and advertising expense	13,450	-
Construction services (leasehold improvements)	40,000	-
Total	<u>\$ 115,844</u>	<u>\$ 62,394</u>

During 2023 and 2022, 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 the 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 ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

11. 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 March 2021, in response to the global pandemic, the Organization applied for and received a second loan through the Paycheck Protection Program under the CARES Act in the amount of \$1,079,325. 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.

12. 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. During the year ended June 30, 2023, the Organization received the remaining \$399,162 of the available tax credit. The Organization also recognized Employee Retention Tax Credit income of \$340,481 for additional amounts that were received during the year ended June 30, 2023.

13. Employee Benefits

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 employer contribution expense for the years ended June 30, 2023, and 2022 was \$27,910 and \$33,464, respectively and is included in benefits expense on the statements of functional expenses.

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

14. Payments to Affiliates

The Organization paid \$13,844 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2023, and 2022 for annual dues.

15. Payments to Related Parties

During the years ended June 30, 2023, and 2022, the Organization incurred expenses totaling \$44,613 and \$105,026, respectively for Hurricane Ida related repairs and expenses to a business which is owned by a board member. The expenses are included in other expenses on the statements of functional expenses. 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.

16. 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, 2023 and 2022, the Organization had no cash deposits in excess of the FDIC insured limits.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are from governmental agencies supportive of the Organization's mission.

17. 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. Management is not aware of any actions that will significantly affect the amount of revenue the Organization will receive in fiscal year 2024 relating to its Medicaid reimbursement rates and federal and state grant awards.

18. Contingencies and Uncertainties

The Organization is not aware of any pending or actual litigation affecting 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 in place to mitigate the negative impacts of any litigation.

THE ARC OF GREATER NEW ORLEANS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 statements of activities reflects \$44,613 and \$196,867 in hurricane and related expenses and insurance proceeds of \$162,194 and \$143,515 for the years ended June 30, 2023, and 2022. The costs incurred to date through June 30, 2023, and 2022, were not capital in nature and consisted primarily of disaster recovery cleanup, temporary repairs to two facilities which were contributed in-kind, 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 year 2022 and received \$27,532 in eligible reimbursements.

20. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 31, 2023, and determined the following item requires disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

In July 2023, the Organization sold property for gross proceeds of \$462,500 with a net book value of \$294,129 and recognized a gain on sale of property of \$167,727. The proceeds from the sale of the property were used for a final payment of \$249,625 to Gulf Coast Bank (see Note 5) for the remaining balance on the outstanding notes payable.

SUPPLEMENTARY INFORMATION

THE ARC OF GREATER NEW ORLEANS
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO THE AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2023

<u>Agency Head Name:</u>	Sandee Williamson, Interim Executive Director	Mary Ann Ross, Executive Director	Katherine Leblanc, Interim Executive Director	Heather Matthews, Executive Director
<u>Dates:</u>	July 1, 2022 - July 31, 2022	August 1, 2022 - March 21, 2023	March 22, 2023 - May 9, 2023	May 10, 2023 - June 30, 2023
Purpose:	Amount	Amount	Amount	Amount
Salary	\$ -	\$ -	\$ -	\$ -
Benefits - Healthcare	-	-	-	-
Benefits - Retirement	-	-	-	-
Deferred Compensation	-	-	-	-
Workers Compensation	-	-	-	-
Benefits - Life Insurance	-	-	-	-
Benefits - Long Term Disability	-	-	-	-
Benefits - FICA & Medicare	-	-	-	-
Car Allowance	-	-	-	-
Vehicle Provided by the Agency	-	-	-	-
Cell Phone	-	-	-	-
Dues	-	-	-	-
Vehicle Rental	-	-	-	-
Per Diem	-	-	-	-
Reimbursements	-	-	-	-
Travel	-	-	-	-
Registration Fees	-	-	-	-
Conference Travel	-	-	-	-
Unvouchered Expenses	-	-	-	-
Meetings and Conventions	-	-	-	-
Other	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*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.

See accompanying independent auditor's report.

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



**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 of
The Arc of Greater New Orleans
New Orleans, 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 (the Organization) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 31, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be a material weakness.

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*.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Organization's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richard CPAS

Metairie, Louisiana
December 31, 2023

THE ARC OF GREATER NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Independent Auditor's Results

Financial Statements

- (a) The type of report issued on the basic financial statements: **Unmodified**
- (b) Internal control over financial reporting:
- Material weakness(es) identified: **Yes.**
- Significant deficiency(ies) identified: **None reported.**
- (c) Noncompliance which is material to the basic financial statements: **None reported**
- (d) Other matters: **No**

2. Findings relating to the basic financial statements reported in accordance with Government Auditing Standards

2023-01 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: Several material audit adjustments for the year ended June 30, 2023, were proposed and accepted by management. The financial statement line items impacted included accounts receivable, prepaid expenses, accounts payable, salaries payable, Medicaid revenue, and salary expenses.

Cause: During the year ended June 30, 2023, the Organization experienced turnover of key accounting and executive personnel responsible for financial reporting. Although the Organization had personnel in the key accounting and executive personnel roles, some of the formal year-end close procedures were not performed which made it challenging to effectively record year-end adjustments.

Effect: The lack of proper controls over financial reporting resulted in several material audit adjustments to correct the financial statements at June 30, 2023.

Recommendation: The Organization should ensure general ledger accounts are reconciled at June 30, and all adjusting journal entries are posted to the general ledger.

Management response: The Arc of Greater New Orleans will establish and maintain effective controls. Specifically, the Organization will ensure general ledger accounts are reconciled on June 30 and all adjusting journal entries are posted to the general ledger; and the Organization will ensure audit adjustments are recorded in the trial balance on an annual basis.

THE ARC OF GREATER NEW ORLEANS

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2023

1. Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards*

2022-001 Material Weakness in Internal Controls over Financial Reporting – Year End Reporting

Condition: There were several instances 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 statements.

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

Current Status: Not resolved – See 2023-01.

2022-002 Significant Deficiency in Internal Controls over Financial Reporting – Grants and Contributions of Nonfinancial Assets

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

Recommendation: Management should review grant awards and contributions of non-financial 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.

Current Status: Resolved.