

THE ARC OF CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2010

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Release Date 2/16/11

THE ARC OF CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLP

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

November 18, 2010

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying consolidated statement of financial position of The Arc of Caddo-Bossier at June 30, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Arc's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Arc's 2009 consolidated financial statements and, in our report dated October 30, 2009, we expressed an unqualified opinion on those consolidated financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc of Caddo-Bossier at June 30, 2010, and the consolidated changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2010, on our consideration of the Arc's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Heard, McElroy & Vestal, LLP

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 2010

<u>ASSETS</u>	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Restricted and Designated</u>
Cash and cash equivalents	2,304,363	61,194
Investments-Notes 9 and 10	3,837,706	1,864,743
Accounts receivable-Note 4	1,462,549	-
Prepaid expenses and other assets	38,010	-
Land, building and equipment-Note 5	-	-
<u>Less-accumulated depreciation</u>	<u>-</u>	<u>-</u>
Total assets	<u>7,642,628</u>	<u>1,925,937</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	218,933	-
Accrued payroll and bonus	627,443	-
Accrued expenses	<u>25,075</u>	<u>-</u>
Total liabilities	871,451	-
<u>Net assets-Note 3</u>	<u>6,771,177</u>	<u>1,925,937</u>
Total liabilities and net assets	<u>7,642,628</u>	<u>1,925,937</u>

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

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2010	June 30, 2009
-	2,365,557	379,263
-	5,702,449	4,900,600
-	1,462,549	3,283,407
-	38,010	62,963
8,299,388	8,299,388	8,056,177
<u>(4,688,911)</u>	<u>(4,688,911)</u>	<u>(4,462,727)</u>
<u>3,610,477</u>	<u>13,179,042</u>	<u>12,219,683</u>
-	218,933	161,335
-	627,443	506,058
-	<u>25,075</u>	<u>30,731</u>
-	871,451	698,124
<u>3,610,477</u>	<u>12,307,591</u>	<u>11,521,559</u>
<u>3,610,477</u>	<u>13,179,042</u>	<u>12,219,683</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Permanently Restricted, Temporarily Restricted, and Designated</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	331,334	-
Title XIX	12,515,742	-
United Way	85,026	-
Contributions	168,544	98,706
Service fees	469,147	-
Other public support	38,580	-
Total public support	<u>13,608,373</u>	<u>98,706</u>
<u>Revenue:</u>		
Sales revenue	3,017,428	69,095
Membership dues	8,970	-
Investment income (loss)-Note 9	598,724	96,109
Other income	75,806	-
Total revenue	<u>3,700,928</u>	<u>165,204</u>
Total public support and revenue	17,309,301	263,910
<u>Expenses:</u>		
Adult services	3,859,807	67,080
Children services	966,008	2,777
Residential services	9,819,195	-
Advocacy services	157,011	-
Leisure services	184,926	-
Management and general	1,394,965	87,030
Total expenses	<u>16,381,912</u>	<u>156,887</u>
<u>Change in net assets</u>	927,389	107,023
<u>Net assets-beginning of year-Note 3</u>	5,974,577	1,953,532
Transfers-Note 3	(130,789)	(134,618)
	<u>5,843,788</u>	<u>1,818,914</u>
<u>Net assets-end of year-Note 3</u>	<u>6,771,177</u>	<u>1,925,937</u>

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

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 2010	June 30, 2009
-	331,334	452,084
-	12,515,742	12,695,015
-	85,026	98,451
-	267,250	837,371
-	469,147	423,419
-	38,580	33,582
-	<u>13,707,079</u>	<u>14,539,922</u>
-	3,086,523	3,153,966
-	8,970	10,124
-	694,833	(1,243,659)
-	75,806	33,640
-	<u>3,866,132</u>	<u>1,954,071</u>
-	17,573,211	16,493,993
88,623	4,015,510	3,955,161
34,449	1,003,234	1,076,698
43,808	9,863,003	9,737,510
512	157,523	163,624
49,684	234,610	184,143
31,304	1,513,299	1,541,179
<u>248,380</u>	<u>16,787,179</u>	<u>16,658,315</u>
(248,380)	786,032	(164,322)
3,593,450	11,521,559	11,685,881
265,407	-	-
<u>3,858,857</u>	<u>11,521,559</u>	<u>11,685,881</u>
<u>3,610,477</u>	<u>12,307,591</u>	<u>11,521,559</u>

THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
Salaries	2,545,120	661,835	7,327,419
Payroll taxes	201,888	50,758	587,837
Other employee expenses-Note 8	<u>298,757</u>	<u>83,612</u>	<u>483,264</u>
Total salaries and payroll related expenses	3,045,765	796,205	8,398,520
Professional	10,302	570	9,577
Insurance	68,762	2,115	59,667
Licenses	-	-	296,790
Office expense	18,281	3,687	26,972
Postage and publication	2,045	95	38
Dues and subscriptions	736	352	1,450
Telephone	21,588	4,605	33,031
Repairs and maintenance	114,369	17,065	130,224
Building services	10,871	2,206	27,922
Training	4,489	3,488	2,992
Travel and conventions	7,544	2,300	136,300
Operating supplies	325,556	49,368	15,188
Utilities	104,486	11,074	93,851
Rent	-	-	-
Vehicle and equipment lease	72,054	8,614	98,827
Property tax	-	-	-
Food	684	41,238	125,770
Household supplies	-	4,632	34,265
Clothing	-	-	12,415
Personal necessities	-	-	21,118
Medical and therapy	250	156	52,018
Transportation and outing	-	-	19,351
Consultant fees	-	20,642	174,367
Interest	-	-	-
Other	<u>119,105</u>	<u>373</u>	<u>48,542</u>
Total other expenses before depreciation	<u>881,122</u>	<u>172,580</u>	<u>1,420,675</u>
Total expenses before depreciation	3,926,887	968,785	9,819,195
<u>Depreciation expense</u>	<u>88,623</u>	<u>34,449</u>	<u>43,808</u>
<u>Total expenses</u>	<u>4,015,510</u>	<u>1,003,234</u>	<u>9,863,003</u>

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

<u>Advocacy Services</u>	<u>Leisure Services</u>	<u>Management and General</u>	<u>Total All Funds Memorandum Only)</u>	
			<u>June 30, 2010</u>	<u>June 30, 2009</u>
135,058	79,737	837,775	11,586,944	11,287,109
9,968	5,712	62,706	918,869	891,283
<u>9,092</u>	<u>6,381</u>	<u>97,010</u>	<u>978,116</u>	<u>1,008,578</u>
154,118	91,830	997,491	13,483,929	13,186,970
-	-	84,313	104,762	100,163
-	9,286	85,186	225,016	263,871
-	25	-	296,815	295,100
204	2,485	86,113	137,742	135,197
-	-	13,352	15,530	12,617
-	653	25,424	28,615	31,738
-	3,356	9,708	72,288	73,676
1,145	5,222	40,349	308,374	333,871
-	-	15,486	56,485	81,144
-	34	4,279	15,282	32,580
1,319	3,337	28,937	179,737	234,121
-	23,418	13,499	427,029	408,573
-	4,440	10,659	224,510	226,337
-	3	-	3	15,003
-	5,086	42,121	226,702	236,823
-	-	180	180	12
-	1,775	2,142	171,609	160,943
-	-	66	38,963	31,004
-	-	-	12,415	17,023
-	-	-	21,118	19,829
-	-	2,685	55,109	77,051
-	-	-	19,351	15,702
-	4,680	580	200,269	220,266
-	6,935	-	6,935	-
<u>225</u>	<u>22,361</u>	<u>19,425</u>	<u>210,031</u>	<u>224,672</u>
<u>2,893</u>	<u>93,096</u>	<u>484,504</u>	<u>3,054,870</u>	<u>3,247,316</u>
157,011	184,926	1,481,995	16,538,799	16,434,286
<u>512</u>	<u>49,684</u>	<u>31,304</u>	<u>248,380</u>	<u>224,029</u>
<u>157,523</u>	<u>234,610</u>	<u>1,513,299</u>	<u>16,787,179</u>	<u>16,658,315</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	786,032	(164,322)
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	248,380	224,029
Net realized and unrealized (gains) losses on investments	(550,821)	1,381,166
Decrease (increase) in accounts receivable	1,820,858	(564,554)
Decrease (increase) in prepaid expenses and other assets	24,953	(14,921)
Increase (decrease) in accounts payable	60,145	(20,982)
Increase in payroll liabilities	121,385	62,998
(Decrease) in accrued expenses	<u>(8,203)</u>	<u>(58,634)</u>
Total adjustments	<u>1,716,697</u>	<u>1,009,102</u>
Net cash provided by operating activities	2,502,729	844,780
<u>Cash flows from investing activities:</u>		
Net (purchase) sales of investments	(251,028)	51,426
Purchase of fixed assets	<u>(265,407)</u>	<u>(1,461,438)</u>
Net cash (used) by investing activities	<u>(516,435)</u>	<u>(1,410,012)</u>
<u>Net increase (decrease) in cash and cash equivalents</u>	1,986,294	(565,232)
<u>Cash and cash equivalents at beginning of year</u>	<u>379,263</u>	<u>944,495</u>
<u>Cash and cash equivalents at end of year</u>	<u>2,365,557</u>	<u>379,263</u>
<u>Supplemental disclosures:</u>		
Cash paid for interest	<u>-</u>	<u>-</u>

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

THE ARC OF CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 2010

1. Nature of Business.

The Arc of Caddo-Bossier is a not-for-profit public service Association. Revenues are derived primarily from the following:

- a) State of Louisiana, generally under third-party reimbursement plans
- b) Title XIX
- c) Service fees
- d) Contributions from the general public
- e) Contract work by the handicapped clients for various types of companies

The Arc provides services to the mentally handicapped of all ages in northwest Louisiana, as follows:

- a) **Adult Services** – provides day habilitation and employment for full and part-time adult workers with disabilities, generally in custodial, linen, filter and lawn services, and through sheltered employment and employment-related training.
- b) **Children Services** – provides childcare and developmentally appropriate educational experiences to enrolled children aged six weeks to five years of age, both with and without disabilities.
- c) **Residential Services** – provides an array of community living services for children and adults with disabilities and their families, including supported independent living, long-term personal care, personal care attendant, respite care, and elderly disabled adult waiver.
- d) **Advocacy Services** – provides support, coordination, and leadership for advocacy by furnishing information to the public on education, jobs, family support, public policy, and government-provided services.
- e) **Leisure Services** – provides therapeutic services to adults and children with disabilities through horseback riding.

2. Summary of Significant Accounting Policies.

a) Financial Statement Presentation:

The Arc is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of The Arc and changes therein may be classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes, as shown in Note 3.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of The Arc and/or by the passage of time. Temporarily restricted net assets are detailed in Note 3.

2. Summary of Significant Accounting Policies. (Continued)

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by The Arc. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes. Permanently restricted net assets are detailed in Note 3.

b) Contributions:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Arc uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

d) Investments:

The Arc accounts for investments at fair value.

e) Estimates:

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

f) Land, Building and Equipment:

Land, building and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of \$5,000 are capitalized.

g) Advertising Costs:

Costs of advertising are expensed as incurred.

h) Consolidation:

The financial statements include the accounts of The Arc; The Arc of Caddo-Bossier Foundation, a not-for-profit corporation formed in 1997; and Greenwood Equestrian Assisted Therapies (GREAT), a not-for-profit corporation that uses horseback riding as a therapeutic aid to handicapped children. GREAT merged with The Arc in 2001, with approximate net assets of \$25,000. All significant intercompany transactions have been eliminated in the consolidated financial statements.

2. Summary of Significant Accounting Policies. (Continued)

i) Income Taxes:

As a nonprofit, privately supported organizations, both The Arc and the Foundation are exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but each must file an annual return with the Internal Revenue Service that contains information on its financial operations. The Arc and the Foundation are required to review various tax positions they have taken with respect to their exempt status and determine whether in fact they continue to qualify as tax-exempt entities. They must also consider whether they have nexus in jurisdictions in which they have income and whether a tax return is required in those jurisdictions. In addition, as tax-exempt entities, they must assess whether they have any tax positions associated with unrelated business income subject to income tax. Neither entity expects these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

The Arc and the Foundation are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2007 and beyond remain subject to examination by the Internal Revenue Service.

j) Functional Expenses:

Certain functional expenses are allocated based on the relative amount of direct expenses incurred within each division. Fund-raising expenses, amounting to approximately \$27,000, are included in Management and General expenses.

k) Cash Equivalents:

For purposes of the statement of cash flows, The Arc considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

l) Compensated Absences:

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
Less than three months	None
From four months to one year	Eleven days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

m) Trade Receivables from Contract Work:

Trade receivables that management has the intent and ability to hold to maturity are accounted for at the outstanding principal amount, less any related allowance for doubtful receivables. Management periodically reviews its outstanding receivables for collectibility, and has determined that no allowance is necessary at June 30, 2010.

2. Summary of Significant Accounting Policies. (Continued)

n) Prior Year Financial Information:

The consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's consolidated financial statements for the year ended June 30, 2009, from which the summarized information was derived.

3. Net Assets.

Net assets include restricted and board-designated amounts and activity, summarized as follows:

	<u>June 30,</u> <u>2009</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>June 30,</u> <u>2010</u>
<u>Permanently Restricted:</u>					
The Arc of Caddo-Bossier Foundation	50,000	-	-	-	50,000
<u>Temporarily Restricted:</u>					
The Arc of Caddo-Bossier Foundation	215,878	54,718	1,057	-	269,539
McCrery Scholarship	-	43,988	2,777	-	41,211
CFSB-Every Kid	<u>277</u>	<u>-</u>	<u>277</u>	<u>-</u>	<u>-</u>
	<u>216,155</u>	<u>98,706</u>	<u>4,111</u>	<u>-</u>	<u>310,750</u>
<u>Designated:</u>					
The Arc of Caddo-Bossier Foundation	552,841	96,109	4,608	-	644,342
Adult Services	17,968	69,095	67,080	-	19,983
Capital improvements	134,618	-	-	(134,618)	-
Worker's compensation	<u>981,950</u>	<u>-</u>	<u>81,088</u>	<u>-</u>	<u>900,862</u>
	<u>1,687,377</u>	<u>165,204</u>	<u>152,776</u>	<u>(134,618)</u>	<u>1,565,187</u>
	<u>1,953,532</u>	<u>263,910</u>	<u>156,887</u>	<u>(134,618)</u>	<u>1,925,937</u>

4. Accounts Receivable.

Accounts receivable due The Arc at year end are as follows:

	<u>2010</u>	<u>2009</u>
Contract work	439,440	399,194
State of Louisiana	98,461	393,778
Title XIX	648,203	2,276,299
Other	<u>276,445</u>	<u>214,136</u>
Total	<u>1,462,549</u>	<u>3,283,407</u>

Receivables from contract work arise from credit granted to various businesses located in the Shreveport and east Texas area. Receivables from the State of Louisiana arise from funds due The Arc under various grants, and which are unpaid as of the end of the fiscal year.

5. Land, Building and Equipment.

Land, building and equipment is composed of the following:

<u>June 30, 2010</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	653,212	-	653,212
Buildings	3,473,868	1,896,651	1,577,217
Furniture and equipment	2,693,554	1,999,848	693,706
Vehicles	174,320	155,152	19,168
Improvements	<u>1,304,434</u>	<u>637,260</u>	<u>667,174</u>
Totals	<u>8,299,388</u>	<u>4,688,911</u>	<u>3,610,477</u>

<u>June 30, 2009</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	653,212	-	653,212
Buildings	3,454,065	1,795,173	1,658,892
Furniture and equipment	2,664,241	1,946,722	717,519
Vehicles	171,820	144,460	27,360
Improvements	<u>1,112,839</u>	<u>576,372</u>	<u>536,467</u>
Totals	<u>8,056,177</u>	<u>4,462,727</u>	<u>3,593,450</u>

6. Commitments.

The Arc leases many of its vehicles and equipment, generally over one to five year terms, under operating lease arrangements. Future minimum lease payments for the years ending June 30 are as follows:

2011	223,628
2012	111,500
2013	36,126
2014	-
2015	-
	<u>371,254</u>

7. Trust Funds.

The Arc is a beneficiary in various testamentary trusts. The terms of these trusts stipulate that the trust assets be invested in perpetuity, and that the annual income only be distributed to the beneficiaries. The Arc received approximately \$14,400 in distributions from these trusts during the year ended June 30, 2010.

8. Other Employee Expenses.

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after two years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. A 401(k) funding feature was added to this plan in 1999, providing a 100% employer match for employee contributions up to 2% of employee salary. The Arc's contributions to the plan for the year ended June 30, 2010 were \$-0- and \$76,247 for the year ended June 30, 2009.

9. Investments.

Investments at June 30, 2010 and 2009, are summarized as follows:

	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>June 30, 2010</u>			
Bond funds	1,519,653	1,642,001	122,348
Equity funds	4,380,800	3,896,393	(484,407)
Money funds	<u>164,055</u>	<u>164,055</u>	-
	<u>6,064,508</u>	<u>5,702,449</u>	<u>(362,059)</u>
<u>June 30, 2009</u>			
Bond funds	1,491,453	1,501,353	9,900
Equity funds	4,467,953	3,347,558	(1,120,395)
Money funds	<u>51,689</u>	<u>51,689</u>	-
	<u>6,011,095</u>	<u>4,900,600</u>	<u>(1,110,495)</u>

Investment income (loss) for 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	144,012	137,507
Net realized gains	(197,615)	(857)
Net unrealized gains (losses)	<u>748,436</u>	<u>(1,380,309)</u>
	<u>694,833</u>	<u>(1,243,659)</u>

10. Line of Credit and Borrowings.

The Arc has a line of credit with a local bank, expiring January 2011, with a maximum borrowing limit of \$100,000. The credit line is secured by an investment brokerage account having an estimated market value of \$4,861,000 at June 30, 2010. Interest is variable, based 2.00% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2010.

11. Conditional Promises.

Conditional promises consist of the unfunded portions of approved governmental grants, either currently in effect or approved for commencement after June 30, 2010. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to The Arc, they have not been recognized in the financial statements. Such promises amounted to approximately \$212,000 at June 30, 2010.

12. Related Party Transactions.

In addition to the entities included in the consolidated financial statements, as discussed in Note 2.h), the Arc controls, but has no financial or economic interest in, Louisiana Disabled Persons Housing Corporation. This corporation owns and operates an apartment complex for certain handicapped individuals, which is regulated by the Department of Housing and Urban Development. Summarized financial data for this entity follows:

12. Related Party Transactions. (Continued)

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Net Assets
at June 30, 2010

Current assets	33,086
Fixed assets, net	396,574
Other assets	<u>40,363</u>
Total assets	<u>470,023</u>
Current liabilities	39,946
Long-term debt, less current portion	<u>713,076</u>
Total liabilities	753,022
Net assets (deficit)	<u>(282,999)</u>
Total liabilities and net assets	<u>470,023</u>

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Activities
For the Year Ended June 30, 2010

Income	230,317
Expenses	<u>214,454</u>
Change in net assets	15,863
Net assets (deficit), beginning	<u>(298,862)</u>
Net assets (deficit), ending	<u>(282,999)</u>

Transactions between all entities related to the Arc for the year ended June 30, 2010 are summarized below:

	<u>The Arc of Caddo-Bossier</u>	<u>The Arc of Caddo-Bossier Foundation</u>	<u>GREAT</u>	<u>Louisiana Disabled Persons Housing Corporation</u>
Due from (to)	<u>720,237</u>	<u>69,603</u>	<u>(614,136)</u>	<u>(175,704)</u>

13. Fair Value Measurements.

The following table presents The Arc's fair value hierarchy for assets measured at fair value on a recurring basis at June 30, 2010:

	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total Value</u>
Money market funds	164,055	-	-	164,055
Mutual funds	4,261,179	-	-	4,261,179
Exchange traded funds	<u>1,277,215</u>	-	-	<u>1,277,215</u>
Total	<u>5,702,449</u>	<u>-</u>	<u>-</u>	<u>5,702,449</u>

Fair values for most investments are determined by reference to quoted market prices generated by market transactions (Level 1). Fair values for other investments are determined by reference to net asset values that are based on other observable inputs (Level 2).

14. Subsequent Events.

The Arc and the Foundation are required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the consolidated financial statements. Each entity performed such an evaluation through November 18, 2010, the date which the consolidated financial statements were available to be issued, and noted no such subsequent events.

SUPPLEMENTARY INFORMATION

HEARD, MCELROY, & VESTAL

LLP

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

November 18, 2010

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report on Supplementary Information

We have audited the consolidated financial statements of The Arc of Caddo-Bossier as of and for the year ended June 30, 2010, and have issued our report thereon dated November 18, 2010. These consolidated financial statements are the responsibility of the management of The Arc of Caddo-Bossier. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of The Arc of Caddo-Bossier taken as a whole. The supplementary information on Pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

Heard, McElroy + Vestal, LLP

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hmv@hmvcpa.com E-MAIL
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THE ARC OF CADDO-BOSSIER
CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Adult Services</u>	<u>Children Services</u>	<u>Residential Services</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	20,160	242,581	68,593
Title XIX	1,096,709	-	11,419,033
United Way	-	85,026	-
Contributions	6,556	110,660	50
Service fees	14,525	415,687	2,432
Other public support	-	<u>38,580</u>	-
Total public support	<u>1,137,950</u>	<u>892,534</u>	<u>11,490,108</u>
<u>Revenue:</u>			
Sales revenue	3,086,177	345	-
Membership dues	-	-	-
Investment income (loss)	-	-	-
Other income	<u>2,948</u>	<u>18,132</u>	<u>42,522</u>
Total revenue	<u>3,089,125</u>	<u>18,477</u>	<u>42,522</u>
Total public support and revenue	4,227,075	911,011	11,532,630
Total salaries and payroll related expenses	3,045,765	796,205	8,398,520
Total other expenses before depreciation	<u>881,122</u>	<u>172,580</u>	<u>1,420,675</u>
Total expenses before depreciation	3,926,887	968,785	9,819,195
Depreciation expense	<u>88,623</u>	<u>34,449</u>	<u>43,808</u>
Total expenses	<u>4,015,510</u>	<u>1,003,234</u>	<u>9,863,003</u>
Change in net assets	<u>211,565</u>	<u>(92,223)</u>	<u>1,669,627</u>

<u>Advocacy Services</u>	<u>Leisure Services</u>	<u>Management and General</u>	<u>Total</u>
-	-	-	331,334
-	-	-	12,515,742
-	-	-	85,026
-	86,995	62,989	267,250
-	36,503	-	469,147
-	-	-	<u>38,580</u>
-	<u>123,498</u>	<u>62,989</u>	13,707,079
-	-	1	3,086,523
-	-	8,970	8,970
-	101	694,732	694,833
-	<u>1,768</u>	<u>10,436</u>	<u>75,806</u>
-	<u>1,869</u>	<u>714,139</u>	<u>3,866,132</u>
-	125,367	777,128	17,573,211
154,118	91,830	997,491	13,483,929
<u>2,893</u>	<u>93,096</u>	<u>484,504</u>	<u>3,054,870</u>
157,011	184,926	1,481,995	16,538,799
<u>512</u>	<u>49,684</u>	<u>31,304</u>	<u>248,380</u>
<u>157,523</u>	<u>234,610</u>	<u>1,513,299</u>	<u>16,787,179</u>
<u>(157,523)</u>	<u>(109,243)</u>	<u>(736,171)</u>	<u>786,032</u>

THE ARC OF CADDO-BOSSIER
CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-
ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Adult Services Per Books</u>	<u>Eliminations Increase (Decrease)</u>	<u>Adult Services Per Report</u>
<u>Public support and revenue:</u>			
<u>Public support:</u>			
State of Louisiana	20,160	-	20,160
Title XIX	1,096,709	-	1,096,709
Contributions	6,556	-	6,556
Service fees	<u>237,725</u>	<u>(223,200)</u>	<u>14,525</u>
Total public support	1,361,150	(223,200)	1,137,950
<u>Revenue:</u>			
Sales revenue	3,086,177	-	3,086,177
Other income	<u>2,948</u>	<u>-</u>	<u>2,948</u>
Total revenue	<u>3,089,125</u>	<u>-</u>	<u>3,089,125</u>
Total public support and revenue	4,450,275	(223,200)	4,227,075
Total salaries and payroll related expenses	3,045,765	-	3,045,765
Total other expenses before depreciation	<u>881,122</u>	<u>-</u>	<u>881,122</u>
Total expenses before depreciation	3,926,887	-	3,926,887
Depreciation expense	<u>88,623</u>	<u>-</u>	<u>88,623</u>
Total expenses	<u>4,015,510</u>	<u>-</u>	<u>4,015,510</u>
Change in net assets	<u>434,765</u>	<u>(223,200)</u>	<u>211,565</u>

Residential Services <u>Per Books</u>	Eliminations Increase <u>(Decrease)</u>	Residential Services <u>Per Report</u>
68,593	-	68,593
11,419,033	-	11,419,033
50	-	50
<u>2,432</u>	<u>-</u>	<u>2,432</u>
11,490,108	-	11,490,108
-	-	-
<u>42,522</u>	<u>-</u>	<u>42,522</u>
<u>42,522</u>	<u>-</u>	<u>42,522</u>
11,532,630	-	11,532,630
8,398,520	-	8,398,520
<u>1,643,875</u>	<u>(223,200)</u>	<u>1,420,675</u>
10,042,395	(223,200)	9,819,195
<u>43,808</u>	<u>-</u>	<u>43,808</u>
<u>10,086,203</u>	<u>(223,200)</u>	<u>9,863,003</u>
<u>1,446,427</u>	<u>223,200</u>	<u>1,669,627</u>

HEARD, McELROY, & VESTAL

LLP

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

November 18, 2010

The Board of Directors
The Arc of Caddo-Bossier
Shreveport, Louisiana

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

We have audited the consolidated financial statements of The Arc of Caddo-Bossier (the Arc), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Arc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Arc's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

This report is intended solely for the information and use of the board of directors, management, the State of Louisiana, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Hearsh, M. Gilroy + Vestal, LLP

THE ARC OF CADDO-BOSSIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of The Arc of Caddo-Bossier.
2. No material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of The Arc of Caddo-Bossier were disclosed during the audit.
4. The Arc of Caddo-Bossier was not subject to a federal single audit.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable

THE ARC OF CADDO-BOSSIER
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

No matters were reported in the prior year.

THE ARC OF CADDO-BOSSIER
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

No matters were reported.