THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 2013

THE ARC CADDO-BOSSIER

SHREVEPORT, LOUISIANA

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HEARD, MCELROY, & VESTAL
LLC

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November 26, 2013

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Arc Caddo-Bossier as of June 30, 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, on our consideration of The Arc Caddo-Bossier's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Arc Caddo-Bossier's internal control over financial reporting and compliance.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

	General Fund	
ASSETS	Unrestricted	Restricted and Designated
Cash and cash equivalents	779,277	49,342
Investments-Notes 8 and 9	1,904,343	829,758
Accounts receivable-Note 4	1,508,648	-
Prepaid expenses and other assets	66,767	-
Land, building and equipment-Note 5	-	-
Less-accumulated depreciation	-	-
Beneficial interest in foundation-Note 13	-	5,560,438
Total assets	4,259,035	6,439,538
LIABILITIES AND NET ASSETS		
Accounts payable	72,279	-
Accrued payroll and bonus	283,385	-
Accrued expenses	26,168	-
Total liabilities	381,832	-
Net assets-Note 3	3,877,203	6,439,538
Total liabilities and net assets	4,259,035	6,439,538

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

Land, Building and Equipment Fund	Total
-	828,619
-	2,734,101
-	1,508,648
-	66,767
8,429,778	8,429,778
(5,196,040)	(5,196,040)
-	5,560,438
3,233,738	13,932,311
-	72,279
-	283,385
-	26,168
-	381,832
3,233,738	13,550,479
3,233,738	13,932,311

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	
	Unrestricted	Permanently Restricted, Temporarily Restricted, and Designated
Public support and revenue:		
Public support:		
State of Louisiana	256,919	-
Title XIX	11,550,211	-
United Way	67,129	-
Contributions	120,317	15,908
Service fees	559,288	-
Other public support	37,667	-
Total public support	12,591,531	15,908
Revenue:		
Sales revenue	3,049,287	89,683
Membership dues	10,264	-
Investment income-Note 8	487,934	-
Change in interest in Foundation	-	239,283
Other income	74,457	-
Total revenue	3,621,942	328,966
Total public support and revenue	16,213,473	344,874
Expenses:		
Adult services	3,860,066	96,927
Children services	875,687	15,688
Residential services	9,606,210	-
Leisure services	156,224	-
Management and general	1,346,567	-
Total expenses	15,844,754	112,615
Change in net assets	368,719	232,259
Net assets-beginning of year-Note 3	7,493,821	2,360,355
Transfers-Note 3	(3,985,337)	3,846,924
	3,508,484	6,207,279
Net assets-end of year-Note 3	3,877,203	6,439,538

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

Land, Building and Equipment Fund	Total
-	256,919
-	11,550,211
-	67,129
-	136,225
-	559,288
-	37,667
-	12,607,439
-	3,138,970
-	10,264
-	487,934
-	239,283
-	74,457
-	3,950,908
-	16,558,347
135,102	4,092,095
38,438	929,813
74,900	9,681,110
52,660	208,884
44,598	1,391,165
345,698	16,303,067
(345,698)	255,280
3,441,023	13,295,199
138,413	-
3,579,436	13,295,199
3,233,738	13,550,479

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	Adult Services	Children Services	Residential Services
Salaries	2,439,607	658,040	7,126,363
Payroll taxes	217,669	54,433	576,993
Other employee expenses-Note 7	397,622	58,132	495,378
Total salaries and payroll related expenses	3,054,898	770,605	8,198,734
Professional	8,123	1,149	6,514
Insurance	72,290	494	60,836
Licenses	75	-	293,961
Office expense	10,024	2,681	10,781
Postage and publication	1,739	54	95
Dues and subscriptions	751	358	679
Telephone	14,124	4,468	18,343
Repairs and maintenance	144,553	12,470	117,423
Building services	9,512	2,284	32,336
Training	1,618	4,261	4,744
Travel and conventions	13,584	2,228	123,168
Operating supplies	334,851	13,322	4,697
Utilities	95,998	12,869	94,695
Rent	-	-	-
Vehicle and equipment lease	66,665	4,379	92,431
Property tax	-	-	-
Food	1,034	48,380	138,990
Household supplies	-	8,257	30,084
Clothing	-	-	16,549
Personal necessities	-	-	16,822
Medical and therapy	-	-	41,246
Transportation and outing	100	-	2,687
Consultant fees	-	2,525	210,696
Other	127,054	591	89,699
Total other expenses before depreciation	902,095	120,770	1,407,476
Total expenses before depreciation	3,956,993	891,375	9,602,210
Depreciation expense	135,102	38,438	74,900
Total expenses	4,092,095	929,813	9,681,110

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

Leisure Services	Management and General	Total
83,081	802,249	11,109,340
6,177	58,302	913,574
5,832	92,214	1,049,178
95,090	952,765	13,072,092
1,150	97,227	114,163
13,259	61,577	208,456
-	-	294,036
2,140	62,941	88,567
155	4,853	6,896
1,119	22,609	25,516
2,614	6,570	46,119
2,464	22,674	299,584
1,760	20,101	65,993
-	1,386	12,009
2,799	16,269	158,048
24,240	9,531	386,641
4,574	10,880	219,016
3	-	3
-	44,837	208,312
-	812	812
1,193	2,375	191,972
-	271	38,612
-	-	16,549
-	-	16,822
-	2,256	43,502
-	-	2,787
3,075	-	216,296
589	6,633	224,566
61,134	393,802	2,885,277
156,224	1,346,567	15,957,369
52,660	44,598	345,698
208,884	1,391,165	16,303,067

THE ARC CADDO-BOSSIER

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Change in net assets	255,280
Adjustments to reconcile change in net assets to net cash provided by operating expenses:	
Depreciation	345,698
Net realized and unrealized (gains) on investments	(228,810)
Change in interest in Foundation	(239,283)
Decrease in accounts receivable	538,141
(Increase) in prepaid expenses and other assets	(3,028)
(Decrease) in accounts payable	(30,366)
(Decrease) in payroll liabilities	(21,763)
Increase in accrued expenses	156
Total adjustments	360,745
Net cash provided by operating activities	616,025
Cash flows from investing activities:	
Net purchase of investments	(274,610)
Purchase of fixed assets	(138,413)
Net cash (used) by investing activities	(413,023)
Net increase in cash and cash equivalents	203,002
Cash and cash equivalents at beginning of year	625,617
Cash and cash equivalents at end of year	828,619
Supplemental disclosures:	
Cash paid for interest	-
Transfers of investments from Arc to Foundation	3,980,711
De-consolidation of Foundation investments	1,340,444
Change in Arc's interest in Foundation	239,283
Total beneficial interest in Foundation	5,560,438

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

THE ARC CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013

1. **Nature of Business.**

The Arc 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, under third-party reimbursement plans
c) Service fees
d) Contributions from the general public
e) Contract work by the handicapped clients for various types of companies
f) Investment income

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) 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.

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.

2. Summary of Significant Accounting Policies. (Continued)

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:

Asset	Estimated Life
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 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. As more fully discussed in Note 13, the Arc Caddo-Bossier Foundation no longer met the requirements of consolidation effective July 1, 2012, and is therefore not consolidated in these financial statements. All significant intercompany transactions have been eliminated in the consolidated financial statements.

2. Summary of Significant Accounting Policies. (Continued)

i) Income Taxes:

As nonprofit, privately supported organizations, both The Arc and GREAT 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 GREAT 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 GREAT are required to file U. S. federal Form 990s for informational purposes. The federal income tax returns for the tax years 2009 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 $21,000, 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:

Length of Service	Annual Leave Earned
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 from contract work, service fees, and other third-party reimbursement plans and service fees 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

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

periodically reviews its outstanding receivables for collectibility, and has determined that no allowance is necessary at June 30, 2013. Past due status of receivables is based on their contractual terms. Amounts received under third-party reimbursement plans are subject to adjustment by the payor, and also may be subject to subsequent audit. Management believes the possibility of adjustments of material amount is remote.

3. **Net Assets.**

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

	June 30, 2012	Income	Expenses	Transfers	June 30, 2013
Permanently Restricted:					
The Arc Caddo-Bossier Foundation	50,000	-	-	-	50,000
Temporarily Restricted:					
The Arc Caddo-Bossier Foundation	367,986	239,283	-	4,903,169	5,510,438
McCrery Scholarship	40,309	11,438	11,523	-	40,224
GREAT Facility	-	4,470	4,165	-	305
	408,295	255,191	15,688	4,903,169	5,550,967
Designated:					
The Arc Caddo-Bossier Foundation	922,459	-	-	(922,459)	-
Adult Services	16,057	89,683	96,927	-	8,813
Worker's compensation	963,544	-	-	(133,786)	829,758
	1,902,060	89,683	96,927	(1,056,245)	838,571
	2,360,355	344,874	112,615	3,846,924	6,439,538

4. **Accounts Receivable.**

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

Contract work	340,613
State of Louisiana	7,391
Title XIX	935,788
Other	224,856
Total	1,508,648

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:

	Cost	Accumulated Depreciation	Book Value
Land	433,212	-	433,212
Buildings	3,454,962	2,166,158	1,288,804
Furniture and equipment	2,623,500	1,949,574	673,926
Vehicles	354,921	221,025	133,896
Improvements	1,563,183	859,283	703,900
Totals	8,429,778	5,196,040	3,233,738

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:

2014	160,117
2015	77,772
2016	26,557
2017	12,199
2018	759
	277,404

7. **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 made no contributions to this plan for the years ending June 30, 2013.

8. **Investments.**
Investments at June 30, 2013 are summarized as follows:

	Cost	Approximate Market Value	Unrealized Appreciation (Depreciation)
Bond funds	687,426	679,471	(7,955)
Equity funds	2,013,349	2,039,408	26,059
Money funds	15,222	15,222	-
	2,715,997	2,734,101	18,104

Investment income for 2013 consists of the following:

Interest and dividends	265,124
Net realized gains	137,156
Net unrealized gains	85,654
	487,934

9. **Line of Credit and Borrowings.**
The Arc has a line of credit with a local bank, expiring January 2014, with a maximum borrowing limit of $100,000. The credit line is secured by an investment brokerage account having an estimated market value of $2,734,000 at June 30, 2013. Interest is variable, based on 2.00% plus LIBOR, as determined each consecutive month this loan is outstanding. There was no outstanding balance on this obligation at June 30, 2013.

10. **Conditional Promises.**
Conditional promises consist of the unfunded portions of approved governmental grants, either currently in effect or approved for commencement after June 30, 2013. 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 $126,000 at June 30, 2013.

11. **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:

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Net Assets
June 30, 2013

Current assets	57,676
Fixed assets, net	345,613
Other assets	28,736
Total assets	432,025
Current liabilities	74,557
Long-term debt, less current portion	615,815
Total liabilities	690,372
Net assets (deficit)	(258,347)
Total liabilities and net assets	432,025

Louisiana Disabled Persons Housing Corporation
Summarized Statement of Activities
For the Year Ended June 30, 2013

Income	180,837
Expenses	206,770
Change in net assets	(25,933)
Net assets (deficit), beginning	(232,414)
Net assets (deficit), ending	(258,347)

11. **Related Party Transactions.** **(Continued)**

Transactions between all entities related to the Arc for the year ended June 30, 2013 are summarized below:

	The Arc Caddo-Bossier	The Arc Caddo-Bossier Foundation	GREAT	Louisiana Disabled Persons Housing Corporation
Due from (to)	869,277	-	(707,264)	(162,013)

12. **Fair Value Measurements.**

The following tables present The Arc's fair value hierarchy for assets measured at fair value on a recurring basis at June 30, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Value
Money market funds	15,222	-	-	15,222
Mutual funds	2,039,408	-	-	2,039,408
Exchange traded funds	679,471	-	-	679,471
Total	2,734,101	-	-	2,734,101

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).

13. **Beneficial Interest in Foundation**

Beneficial interest represents The Arc's share of net assets available to The Arc from The Arc Foundation, which was created in 1997 to promote and support the purposes of The Arc. Originally organized such that its membership consisted of the board members of The Arc, The Foundation was part of the consolidated financial statements of The Arc. Effective at the beginning of the fiscal year, The Foundation's membership was changed to consist only of members of its own board, no more than forty-nine percent of whom may be members of the board of The Arc. As a result, The Arc no longer includes The Foundation in consolidation, but records its share of The Foundation's net assets because it is a financially interrelated organization.

Funds belonging to The Foundation are not automatically available to The Arc, but must be requested for specific purposes through a formal process that The Foundation controls. This process involves a review of amounts available for annual distribution and formal approval of funding requests by The Foundation's board. No distributions were made during the year by the Foundation; however, The Arc transferred investments to The Foundation amounting to $3,980,711.

14. **Subsequent Events.**

The Arc and GREAT 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 26, 2013, the date which the consolidated financial statements were available to be issued, and noted no such subsequent events.

SUPPLEMENTARY INFORMATION

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 2013

	Adult Services	Children Services	Residential Services
Public support and revenue:			
Public support:			
State of Louisiana	5,572	191,784	59,563
Title XIX	1,026,253	-	10,523,958
United Way	-	67,129	-
Contributions	1,000	18,753	-
Service fees	-	507,733	2,400
Other public support	-	37,667	-
Total public support	1,032,825	823,066	10,585,921
Revenue:			
Sales revenue	3,138,969	-	-
Membership dues	-	-	-
Investment income	-	-	-
Change in interest in Foundation	-	-	-
Other income	16,591	14,140	24,659
Total revenue	3,155,560	14,140	24,659
Total public support and revenue	4,188,385	837,206	10,610,580
Total salaries and payroll related expenses	3,054,898	770,605	8,198,734
Total other expenses before depreciation	902,095	120,770	1,407,476
Total expenses before depreciation	3,956,993	891,375	9,602,210
Depreciation expense	135,102	38,438	74,900
Total expenses	4,092,095	929,813	9,681,110
Change in net assets	96,290	(92,607)	929,470

Leisure Services	Management and General	Total
-	-	256,919
-	-	11,550,211
-	-	67,129
113,454	3,018	136,225
49,155	-	559,288
-	-	37,667
162,609	3,018	12,607,439
-	1	3,138,970
-	10,264	10,264
-	487,934	487,934
-	239,283	239,283
12,431	6,636	74,457
12,431	744,118	3,950,908
175,040	747,136	16,558,347
95,090	952,765	13,072,092
61,134	393,802	2,885,277
156,224	1,346,567	15,957,369
52,660	44,598	345,698
208,884	1,391,165	16,303,067
(33,844)	(644,029)	255,280

THE ARC CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION-

ELIMINATION OF SERVICE FEES BETWEEN DIVISIONS

FOR THE YEAR ENDED JUNE 30, 2013

	Adult Services Per Books	Eliminations Increase (Decrease)	Adult Services Per Report
Public support and revenue:			
Public support:			
State of Louisiana	5,572	-	5,572
Title XIX	1,026,253	-	1,026,253
Contributions	1,000	-	1,000
Service fees	239,134	(239,134)	-
Total public support	1,271,959	(239,134)	1,032,825
Revenue:			
Sales revenue	3,138,969	-	3,138,969
Other income	16,591	-	16,591
Total revenue	3,155,560	-	3,155,560
Total public support and revenue	4,427,519	(239,134)	4,188,385
Total salaries and payroll related expenses	3,306,735	-	3,306,735
Total other expenses before depreciation	902,095	-	902,095
Total expenses before depreciation	4,208,830	-	4,208,830
Depreciation expense	135,102	-	135,102
Total expenses	4,343,932	-	4,343,932
Change in net assets	83,587	(239,134)	(155,547)

Residential Services Per Books	Eliminations Increase (Decrease)	Residential Services Per Report
59,563	-	59,563
10,523,958	-	10,523,958
2,400	-	2,400
-	-	-
10,585,921	-	10,585,921
-	-	-
24,659	-	24,659
24,659	-	24,659
10,610,580	-	10,610,580
7,946,897	-	7,946,897
1,646,610	(239,134)	1,407,476
9,593,507	(239,134)	9,354,373
74,900	-	74,900
9,668,407	(239,134)	9,429,273
942,173	(239,134)	1,181,307

OTHER REPORTS

HEARD, MCELROY, & VESTAL
LLC
CERTIFIED PUBLIC ACCOUNTANTS
333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

November 26, 2013

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

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*

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 consolidated financial statements of The Arc Caddo-Bossier, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc Caddo-Bossier'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc Caddo-Bossier's internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc Caddo-Bossier'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc Caddo-Bossier'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 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*.

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 of 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.

Shreveport, Louisiana

Heard, McElroy & Vestal, LLC

THE ARC CADDO-BOSSIER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of The Arc Caddo-Bossier.
2. No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported.
3. No instances of noncompliance material to the consolidated financial statements of The Arc Caddo-Bossier were disclosed during the audit.
4. The Arc 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 CADDO-BOSSIER

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

No matters were reported in the prior year.

THE ARC CADDO-BOSSIER

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR CURRENT YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

No matters were reported.