

STARC OF LOUISIANA, INC.

Audits of Financial Statements

June 30, 2020 and 2019



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Independent Auditor's Report

To the Board of Directors
STARC of Louisiana, Inc.
Slidell, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of STARC of Louisiana, Inc. (a Louisiana not-for-profit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of STARC of Louisiana, Inc. (STARC) as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statue (R.S.) 24:513A, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2020 on our consideration of STARC of Louisiana, Inc.'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 STARC'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 STARC of Louisiana, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
November 15, 2020

STARC OF LOUISIANA, INC.
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 5,228,885	\$ 4,435,102
Accounts Receivable, Net	413,062	519,528
Unconditional Promises to Give, Net	30,000	46,935
Prepaid Expenses	44,318	26,761
	<hr/>	<hr/>
Total Current Assets	5,716,265	5,028,326
Property and Equipment		
Buildings and Improvements	5,625,874	5,600,763
Furniture and Equipment	63,722	63,722
Vehicles	1,046,666	969,092
	<hr/>	<hr/>
	6,736,262	6,633,577
Less: Accumulated Depreciation	(2,737,362)	(2,439,522)
	<hr/>	<hr/>
	3,998,900	4,194,055
Land	650,300	650,300
Construction in Progress	688,499	9,505
	<hr/>	<hr/>
Total Property and Equipment, Net	5,337,699	4,853,860
Other Assets		
Bed Licenses	325,833	365,833
	<hr/>	<hr/>
Total Other Assets	325,833	365,833
	<hr/>	<hr/>
Total Assets	\$ 11,379,797	\$ 10,248,019

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

STARC OF LOUISIANA, INC.
Statements of Financial Position (Continued)
June 30, 2020 and 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 66,745	\$ 154,654
Accrued Salaries, Wages, and Taxes	526,773	418,581
Accumulated Paid Leave	197,706	174,903
Deferred Revenue	1,759,011	1,610,758
Current Maturities of Long-Term Debt	636,938	151,012
Total Current Liabilities	3,187,173	2,509,908
Other Liabilities		
Long-Term Debt, Net of Current Maturities	2,150,121	1,707,148
Total Other Liabilities	2,150,121	1,707,148
Total Liabilities	5,337,294	4,217,056
Net Assets		
Without Donor Restrictions		
Undesignated	5,313,187	5,456,247
Board Designated	259,271	104,671
With Donor Restrictions	470,045	470,045
Total Net Assets	6,042,503	6,030,963
Total Liabilities and Net Assets	\$ 11,379,797	\$ 10,248,019

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

STARC OF LOUISIANA, INC.
Statements of Activities
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Government Grants and Contracts	\$ 4,751,660	\$ -	\$ 4,751,660	\$ 4,609,002	\$ -	\$ 4,609,002
Ad Valorem Taxes	1,826,822	-	1,826,822	1,747,187	-	1,747,187
Private Providers	535,915	-	535,915	607,409	-	607,409
Program Services	184,794	-	184,794	273,702	-	273,702
Sale of Services	260,400	-	260,400	361,613	-	361,613
Donations and Private Grants	132,890	-	132,890	64,074	-	64,074
United Way Allocation	-	30,000	30,000	-	30,000	30,000
United Way Designations	20,914	-	20,914	18,232	-	18,232
Fundraising	78,439	-	78,439	135,661	-	135,661
Other	33,637	-	33,637	483,533	-	483,533
	<u>7,825,471</u>	<u>30,000</u>	<u>7,855,471</u>	<u>8,300,413</u>	<u>30,000</u>	<u>8,330,413</u>
Net Assets Released from Restrictions	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>7,855,471</u>	<u>-</u>	<u>7,855,471</u>	<u>8,330,413</u>	<u>-</u>	<u>8,330,413</u>
Expenses						
Program Services	6,225,711	-	6,225,711	6,298,232	-	6,298,232
Supporting Services	1,618,220	-	1,618,220	1,676,895	-	1,676,895
Total Expenses	<u>7,843,931</u>	<u>-</u>	<u>7,843,931</u>	<u>7,975,127</u>	<u>-</u>	<u>7,975,127</u>
Change in Net Assets	<u>11,540</u>	<u>-</u>	<u>11,540</u>	<u>355,286</u>	<u>-</u>	<u>355,286</u>
Net Assets, Beginning of Year	<u>5,560,918</u>	<u>470,045</u>	<u>6,030,963</u>	<u>5,205,632</u>	<u>470,045</u>	<u>5,675,677</u>
Net Assets, End of Year	<u>\$ 5,572,458</u>	<u>\$ 470,045</u>	<u>\$ 6,042,503</u>	<u>\$ 5,560,918</u>	<u>\$ 470,045</u>	<u>\$ 6,030,963</u>

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

STARC OF LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services		General and Administrative	Board and Fundraising		
Salaries, Wages, and Benefits	\$ 758,378	\$ 177,064	\$ 1,258,828	\$ 1,669,967	\$ 119,308	\$ 3,983,545	\$ 1,119,596	\$ 48,037	\$ 1,167,633	\$ 5,151,178
Payroll Taxes	54,425	11,997	90,797	122,874	9,510	289,603	77,648	3,741	81,389	370,992
Professional Services	3,130	1,780	18,147	1,791	30	24,878	6,306	1,751	8,057	32,935
Benefits - Retirement	-	-	193,880	-	-	193,880	-	-	-	193,880
State Bed Fees	-	-	184,740	-	-	184,740	-	-	-	184,740
Supplies	18,476	17,951	132,215	7,886	27,671	204,199	20,917	152	21,069	225,268
Interest	45,374	-	3,900	-	-	49,274	37,124	-	37,124	86,398
Telephone	28,434	5,342	17,801	15,149	2,013	68,739	28,105	787	28,892	97,631
Occupancy	99,114	26,155	96,640	35,482	-	257,391	55,405	4,527	59,932	317,323
Insurance	88,503	13,298	108,961	76,273	36,315	323,350	51,119	7,165	58,284	381,634
Depreciation and Amortization	125,064	21,213	130,096	14,728	7,742	298,843	73,554	-	73,554	372,397
Travel and Transportation	124,334	229	70,897	12,481	16,739	224,680	12,572	-	12,572	237,252
Conferences and Training	2,822	1,100	5,296	8,373	200	17,791	2,928	-	2,928	20,719
Fundraising	-	-	-	-	-	-	-	-	-	-
Miscellaneous	8,531	2,359	12,966	23,027	57,915	104,798	47,643	19,143	66,786	171,584
Total	\$ 1,356,585	\$ 278,488	\$ 2,325,164	\$ 1,988,031	\$ 277,443	\$ 6,225,711	\$ 1,532,917	\$ 85,303	\$ 1,618,220	\$ 7,843,931

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

STARC OF LOUISIANA, INC.
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2019

	Program Services					Total Program Services	Supporting Services		Total Supporting Services	Total
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services		General and Administrative	Board and Fundraising		
Salaries, Wages, and Benefits	\$ 884,332	\$ 227,276	\$ 942,053	\$ 1,591,972	\$ 151,722	\$ 3,797,355	\$ 1,156,094	\$ 38,405	\$ 1,194,499	\$ 4,991,854
Payroll Taxes	65,640	16,483	68,032	120,971	12,146	283,272	84,635	3,014	87,649	370,921
Professional Services	12,225	3,205	17,814	1,320	853	35,417	7,058	1,668	8,726	44,143
Benefits - Retirement	-	-	268,731	-	-	268,731	-	-	-	268,731
State Bed Fees	-	-	179,443	-	-	179,443	-	-	-	179,443
Supplies	21,437	36,709	130,053	10,388	38,745	237,332	24,304	1,369	25,673	263,005
Interest	45,249	-	4,354	-	-	49,603	36,532	-	36,532	86,135
Telephone	29,887	5,646	15,811	16,927	2,995	71,266	28,916	789	29,705	100,971
Occupancy	116,202	45,044	124,442	33,287	-	318,975	76,501	8,963	85,464	404,439
Insurance	93,204	25,605	97,775	75,510	39,697	331,791	50,090	6,916	57,006	388,797
Depreciation and Amortization	104,709	21,212	126,715	15,747	23,163	291,546	71,707	-	71,707	363,253
Travel and Transportation	154,137	243	71,216	19,722	17,576	262,894	13,472	273	13,745	276,639
Conferences and Training	10,989	2,557	14,049	21,047	111	48,753	7,376	184	7,560	56,313
Fundraising	-	-	-	-	-	-	-	-	-	-
Miscellaneous	7,776	2,119	11,781	23,585	76,593	121,854	49,677	8,952	58,629	180,483
Total	\$ 1,545,787	\$ 386,099	\$ 2,072,269	\$ 1,930,476	\$ 363,601	\$ 6,298,232	\$ 1,606,362	\$ 70,533	\$ 1,676,895	\$ 7,975,127

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

STARC OF LOUISIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 11,540	\$ 355,286
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	372,397	363,253
Gain on Disposition of Property and Equipment	(7,690)	(380,084)
(Increase) Decrease in Operating Assets		
Accounts Receivable, Net	106,466	269,860
Unconditional Promises to Give, Net	16,935	27,466
Prepaid Expenses	(17,557)	78,683
Deposits	-	500
Notes Receivable	-	1,880
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(87,909)	(155,490)
Accrued Salaries, Wages, and Taxes	108,192	(53,288)
Accumulated Paid Leave	22,803	(764)
Deferred Revenue	148,253	218,453
Net Cash Provided by Operating Activities	673,430	725,755
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(152,052)	(286,279)
Purchases of Construction in Progress	(678,994)	(59,261)
Proceeds from Sale of Property and Equipment	22,500	789,769
Net Cash (Used in) Provided by Investing Activities	(808,546)	444,229
Cash Flows from Financing Activities		
Proceeds from Long-Term Debt	1,079,920	62,891
Principal Payments on Long-Term Debt	(151,021)	(176,426)
Net Cash Provided by (Used in) Financing Activities	928,899	(113,535)
Net Increase in Cash and Cash Equivalents	793,783	1,056,449
Cash and Cash Equivalents, Beginning of Year	4,435,102	3,378,653
Cash and Cash Equivalents, End of Year	\$ 5,228,885	\$ 4,435,102
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 86,398	\$ 86,135
Supplemental Disclosure of Non-Cash Financing Transactions		
Debt Issued for Purchase of Vehicle	\$ -	\$ 62,891

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

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

STARC of Louisiana, Inc. (STARC) was incorporated on June 20, 1968. STARC provides the following program services to citizens of St. Tammany Parish with developmental and/or intellectual disabilities:

- Adult Habilitation Services - Assists individuals in acquiring and retaining skills needed for independence, recreation, and interpersonal proficiencies. Individuals must be 18 years of age or older and have a developmental and/or intellectual disability diagnosis. Individuals must have funding for services that can include waiver, contractual, and private pay.
- Infant Habilitation Services - Provides services to families with infants and toddlers from birth to 36 months of age who have a medical condition likely to result in a cognitive, motor, vision, hearing, communication, social-emotional, and/or adaptive developmental delay(s), or who have already been diagnosed with one or more developmental delays. Early Steps services are designed to improve a family's capacity to enhance a child's development. These services are provided in the child's natural environment, such as the child's home, childcare, or any other community setting typical for children from birth to 36 months of age.
- Residential Services - Residential community homes provide opportunities for individuals to live in a family-style home in a typical neighborhood. Trained staff members provide care and support for activities of daily living, socialization, community access, and health care coordination and services. Individuals must be age 16 or older and have a primary diagnosis of developmental and/or intellectual disability.
- Waivered Services - Medicaid home and community-based waiver programs allow people greater flexibility to choose where they want to live and to use services and supports that best suit their needs. Services provided must represent a least-restrictive treatment alternative.
- Commercial Business Services - Provides a center-based environment at licensed facilities in Slidell and Mandeville, where our seasoned staff work closely with individuals to help them develop, increase, and retain skills necessary for the performance of productive and meaningful work.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and liabilities.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Basis of Presentation

STARC follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). STARC is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed 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. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, STARC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

It is STARC's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management believes use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are expected to be collected over a five-year period. Management feels any discounts on pledges expected to be collected after one year are not material. As a result, pledges are recorded at the net realizable value. As of June 30, 2020, unconditional promises to give are shown on the statements of financial position consisted of \$30,000 due from United Way. As of June 30, 2019, unconditional promises to give are shown on the statements of financial position consisted of \$21,935, net of allowance of \$5,000, due from donors of STARC for Life Campaign and \$30,000 due from United Way.

Inventory and Bed Licenses Amortization

Expense for amortization of the commercial services inventory for the years ended June 30, 2020 and 2019 totaled \$-0- and \$4,589, respectively. Expense for amortization of the bed licenses for the years ended June 30, 2020 and 2019 totaled \$40,000 and \$37,702, respectively.

Property and Equipment

Purchased property and equipment, in excess of \$5,000, are capitalized and recorded at cost at the date of acquisition. Contributed property and equipment are recorded at fair value at the date of donation. Expenses for maintenance, repairs, and renewals of minor items are charged as incurred.

Depreciation and amortization are computed by the straight-line method at rates based on the following estimated useful lives: Furniture and Equipment - 5 to 20 years; Building and Improvements - 5 to 30 years; and Vehicles - 3 to 5 years.

Depreciation expense for the years ended June 30, 2020 and 2019 was \$332,397 and \$320,962, respectively.

Donated Assets and Services

STARC recorded non-cash donations as contributions at its estimated fair market value at the date of donation.

Various functions of STARC are conducted by unpaid officers, board members, and volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria necessary for recognition. STARC recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional Expense Allocation

The cost of providing STARC's various programs and supporting services has been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are first allocated by direct identification and then allocated if an expenditure benefits more than one program or function. As of June 30, 2020 and 2019, all expenses directly identified and not allocated.

Income Taxes

STARC qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. STARC believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Use of 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.

Recent Accounting Pronouncements - Adopted

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarified and improved current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. STARC has implemented the provisions of ASU 2018-08 and has applied the ASU retrospectively to all periods presented. There was no impact on STARC's financial statements as a result of the implementation of ASU 2018-08.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount to which an entity expects to be entitled when products are transferred to customers. The new revenue standard may be applied retrospectively as of the date of adoption. Early adoption is permitted. ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, deferred the effective date of ASU 2014-09 to annual financial statements issued for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, deferred the effective date of ASU 2016-02 to financial statements issued for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of adopting the new lease standard on its financial statements.

Note 2. Concentrations of Credit Risk

STARC has concentrated its credit risk by maintaining deposits in banks located within the same geographic region that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2020 and 2019, respectively, approximately \$3,000,000 and \$1,700,000 of cash and cash equivalents were uninsured. STARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

A significant portion of STARC's revenue is derived from the ad valorem tax revenue described in Note 8, the Medicaid waiver program, and Title XIX funding. As of June 30, 2020, ad valorem taxes represent 23% of revenues, Medicaid waiver program represents 33% of revenues, and Title XIX represents 25% of revenues. As of June 30, 2019, ad valorem taxes represent 21% of revenues, Medicaid waiver program represents 34% of revenues, and Title XIX represents 20% of revenues.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 3. Accounts Receivable

As of June 30, 2020 and 2019, accounts receivable were comprised of:

	2020	2019
Title XIX	\$ 234,891	\$ 192,179
Waiver Services	128,984	231,002
Supported Services	47,449	66,220
Contracted Services	953	26,709
Other	785	3,418
Total	\$ 413,062	\$ 519,528

Note 4. Unconditional Promises to Give

As of June 30, 2020 and 2019, unconditional promises to give were comprised of:

	2020	2019
Due Within One Year	\$ 30,000	\$ 51,935
Less: Allowance	-	(5,000)
Unconditional Promises to Give, Net	\$ 30,000	\$ 46,935

Note 5. Liquidity and Availability

STARC regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources STARC has available. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consist of the following:

Cash and Cash Equivalents	\$ 5,228,885
Accounts Receivable, Net	413,062
Total	\$ 5,641,947

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 6. Accumulated Paid Leave

All full-time regular status employees who do not carry the Direct Support Professional title are eligible for paid leave. At the beginning of each fiscal year, STARC deposits into each employee's annual leave account a lump sum amount of leave hours for use of time off during that fiscal year. The amount of leave each receives is based on the employee's job classification and years of eligible service. At the end of each fiscal year, unused annual leave hours up to established limits, are automatically transferred to the employee's accumulated leave account. Annual leave hours not used are not payable to employees upon resignation, retirement, termination, or death, while accumulated leave hours will be paid out upon resignation, retirement, termination, or death at the employee's current hourly rate.

	2020	2019
Beginning Balance	\$ 174,903	\$ 175,667
Additions	213,140	187,011
Reductions	(190,337)	(187,775)
Ending Balance	\$ 197,706	\$ 174,903

Note 7. Board Designations

It is the policy of the Board of Directors of STARC to review its plans for future property improvements, acquisitions, and program services from time to time and to designate appropriate sums of net assets without donor restrictions to ensure adequate financing. At June 30, 2020 and 2019, STARC's Board had \$259,271 and \$104,671, respectively, in designated funds which are designated for expanding program services to involve more families and the community in the joyful growth of all citizens.

Note 8. Administration Agreement and Deferred Revenue

Effective February 18, 2009, the St. Tammany Parish Council (the Council) and STARC entered into an administration agreement for a period of ten years, whereby STARC would provide services relating to acquiring, constructing, improving, maintaining, and operating authorized activities, services, programs, and/or facilities for individuals with mental retardation and/or developmental disabilities in St. Tammany Parish. The agreement requires the Council to compensate STARC a 1 mill tax annually. STARC received \$1,940,930 and \$1,964,366, of which \$1,721,347 and \$1,583,594 was deferred for the fiscal years ended June 30, 2020 and 2019, respectively, to properly recognize revenue when it will be earned. STARC incurred expenditures relating to the services provided in the amount of \$1,826,822 and \$1,747,187 for the years ended June 30, 2020 and 2019, respectively. The ad valorem tax received from the Council and the expenditures incurred are included in the specific programs and supporting services of STARC on the statements of activities.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 9. United Way Allocation/Grants

STARC participates in the United Way for the Greater New Orleans Area allocation and designation of funds process. To participate in the allocation and designation of funds, certain restrictions were placed on STARC's ability to conduct certain fundraising activities or otherwise solicit contributions. The United Way's allocation/designation to STARC for the years ended June 30, 2020 and 2019 was \$50,914 and \$48,232, respectively.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions totaled \$470,045 for years ended June 30, 2020 and 2019, are donations from corporations, individuals, and pledges receivable from the United Way of Greater New Orleans to support Jacob's Ladder Adult Day Care. There were \$30,000 and \$30,000 of net assets released from donor restrictions for the years ended June 30, 2020 and 2019, respectively.

Note 11. Long-Term Debt

STARC had the following notes payable as of June 30th:

	2020	2019
Mortgage note dated March 31, 2018, payable to a bank in monthly installments of \$6,800, consisting of principal and interest accruing at a rate of 4.80% through October 2029. Collateralized by land and building.	\$ 869,113	\$ 940,648
Mortgage note dated May 26, 2017, payable to a bank in monthly installments of \$6,106, consisting of principal and interest accruing at a rate of 4.30% through June 2024. Collateralized by land and building.	796,298	864,336
Vehicle financing arrangement dated September 9, 2018, payable in monthly installments of \$1,279, consisting of principal and interest accruing at a rate of 7.99% through September 2023.	41,728	53,176
Payroll Protection Program (PPP) note dated May 6, 2020, potentially forgivable under the CARES Act; in the absence of forgiveness, the loan is payable to a bank in 18 monthly installments of \$60,462 consisting of principal and interest accruing at a rate of 0.98% through April 2022.	1,079,920	-
Total	\$ 2,787,059	\$ 1,858,160

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 11. Long-Term Debt (Continued)

Maturities are as follows:

Year Ending June 30,	Amount
2021	\$ 636,938
2022	768,959
2023	175,593
2024	169,879
2025	176,906
Thereafter	<u>858,784</u>
Total	<u><u>\$ 2,787,059</u></u>

Interest paid on notes payable for the years ended June 30, 2020 and 2019 was \$86,398 and \$86,135, respectively.

CARES Funding

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the coronavirus (COVID-19) crisis. On April 6, 2020, STARC applied for a loan under the Program and received \$1,079,920 in proceeds from a bank. The loan is forgivable if STARC meets certain criteria as established under the Program. If not forgiven, payments of principal and interest in the amount of \$60,462 are due monthly beginning November 6, 2020. The loan bears interest at 0.98% and matures on April 6, 2022.

Note 12. Donated Facilities

STARC occupied donated office space in Slidell. The total value of this donated space was recorded in the statements of activities in donations and private grants for \$4,800 for the years ended June 30, 2020 and 2019. This amount includes donated rent at fair value of the property and donated utilities.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 13. Operating Leases

STARC signed a contract that has an indefinite life span for the use of a certain parcel of ground that is entirely enclosed by a fence that has been developed into a park-like area complete with a paved walking path, a bocce ball court, and benches throughout.

STARC has multiple operating leases for office equipment at various locations. Lease expense for office equipment for the years ended June 30, 2020 and 2019 was \$12,677 and \$10,788, respectively.

Note 14. Retirement Plans

STARC established a 401(k) Thrift Plan (the Plan) effective November 1, 2000. Employees of STARC may participate in the Plan, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have completed the service requirements (equivalent to one year of service with 1,000 hours of service or more). STARC makes discretionary contributions to the Plan each year as a percentage of all participants' contributions.

On April 19, 2012, STARC established a 457(b) Top Hat Plan whereby the executive staff can contribute to a retirement plan and STARC still be in compliance with the requirements of the 401(k) plan. The highly compensated employees who participate in this plan do so with only their own deferrals. STARC makes discretionary contributions to this plan each year as a percentage of all participants' contributions.

STARC's contribution for both plans for the years ended June 30, 2020 and 2019 was \$13,731 and \$12,750, respectively.

Note 15. Deferred Compensation

On March 16, 2005, the Board established a years of service bonus plan for any retiring employee who has been employed by STARC for a minimum of 20 years and has maintained a satisfactory employment record. The bonus payments are not guaranteed and are paid only from Board-approved unrestricted funds that are available in the fiscal year in which a qualifying employee retires. Bonus payments are based on 50%, 75%, or 100% of the employee's annualized regular salary at retirement date, depending on years of service. Bonus payment expense was \$30,998 and \$35,497 for the years ended June 30, 2020 and 2019, respectively, and is recorded in salary, wages, and benefits on the statements of functional expense.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 16. Contingencies

From time to time, STARC is involved in claims or legal proceedings arising in the ordinary course of operations. In the opinion of management, the outcome of such actions will have no material impact on STARC's financial position or results of operations.

Note 17. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which STARC operates.

On March 27, 2020, the CARES Act was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic. See Note 11.

It is unknown how long these and any other adverse conditions associated with the coronavirus will last and what the complete financial effect will be to STARC.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 15, 2020, and identified the following event which requires disclosure:

On October 6, 2020, STARC refinanced the two outstanding mortgage notes payable into one mortgage note payable with a principal of \$1,674,400 maturing in October 2035. The note bear interest at rate of 3.19% and is payable in 180 monthly payments of \$11,754.

No further subsequent events occurring after November 15, 2020 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

STARC OF LOUISIANA, INC.
Supplementary Information
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2020

Louisiana Revised Statute (R.S.) 24:513 (A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees be reported as a supplemental report within the financial statements of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that non-governmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
Mark Baham, Executive Director

Purpose	Amount
Salary	\$117,936
Benefits - Insurance	\$58
Benefits - Retirement	\$468
Benefits - Other	\$11,561
Vehicle Provided by Agency	\$11,370
Per Diem	\$0
Reimbursements	\$960
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Directors
STARC of Louisiana, Inc.
Slidell, 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 STARC of Louisiana, Inc., which comprise the statement of financial position as of June 30, 2020, and the related 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 15, 2020.

Internal Control Over Financial Reporting

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

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
November 15, 2020

STARC OF LOUISIANA, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| c. Noncompliance material to the financial statements? | No |
| 3. Management letter comment provided? | No |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

STARC OF LOUISIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

Findings Related to the Financial Statements

None.