

# **STARC OF LOUISIANA, INC.**

Audits of Financial Statements

June 30, 2017 and 2016



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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, 2017 and 2016, 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. as of June 30, 2017 and 2016, 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 Statute (LRS) 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 December 19, 2017 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 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 STARC of Louisiana, Inc.'s internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
December 19, 2017

**STARC OF LOUISIANA, INC.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 4,172,317	\$ 3,930,965
Accounts Receivable, Net	433,311	471,229
Note Receivable, Current	7,680	7,680
Unconditional Promises to Give, Net	111,189	143,188
Prepaid Expenses	39,573	49,962
<b>Total Current Assets</b>	<b>4,764,070</b>	<b>4,603,024</b>
<b>Property and Equipment</b>		
Buildings and Improvements	4,702,322	3,922,387
Furniture and Equipment	476,413	518,149
Vehicles	857,673	923,474
	<b>6,036,408</b>	<b>5,364,010</b>
Less: Accumulated Depreciation	(3,014,536)	(2,921,757)
	<b>3,021,872</b>	<b>2,442,253</b>
Land	661,219	471,219
Construction in Progress	582,031	-
<b>Total Property and Equipment, Net</b>	<b>4,265,122</b>	<b>2,913,472</b>
<b>Other Assets</b>		
Deposits	500	3,000
Notes Receivable, Long-Term	1,880	9,560
Bed Licenses	215,655	27,775
<b>Total Other Assets</b>	<b>218,035</b>	<b>40,335</b>
<b>Total Assets</b>	<b>\$ 9,247,227</b>	<b>\$ 7,556,831</b>

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

**STARC OF LOUISIANA, INC.**  
**Statements of Financial Position (Continued)**  
**June 30, 2017 and 2016**

	2017	2016
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 273,205	\$ 83,569
Accrued Salaries, Wages, and Taxes	407,708	513,771
Accumulated Paid Leave	161,796	169,591
Deferred Revenue	1,446,764	1,331,764
Construction Loan	205,404	-
Current Maturities of Long-Term Debt	157,830	99,756
<b>Total Current Liabilities</b>	<b>2,652,707</b>	<b>2,198,451</b>
<b>Other Liabilities</b>		
Long-Term Debt, Net of Current Maturities	964,825	147,655
Line of Credit	74,793	-
<b>Total Other Liabilities</b>	<b>1,039,618</b>	<b>147,655</b>
<b>Total Liabilities</b>	<b>3,692,325</b>	<b>2,346,106</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated	4,737,390	4,693,762
Board Designated	347,467	46,918
Temporarily Restricted	470,045	470,045
<b>Total Net Assets</b>	<b>5,554,902</b>	<b>5,210,725</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,247,227</b>	<b>\$ 7,556,831</b>

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

**STARC OF LOUISIANA, INC.**  
**Statements of Activities**  
**For the Years Ended June 30, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains, and Other Support</b>						
Government Grants and Contracts	\$ 4,158,857	\$ -	\$ 4,158,857	\$ 4,228,039	\$ -	\$ 4,228,039
Ad Valorem Taxes	1,712,420	-	1,712,420	1,752,959	-	1,752,959
Private Providers	594,208	-	594,208	700,038	-	700,038
Program Services	271,278	-	271,278	220,412	-	220,412
Sale of Services	376,433	-	376,433	487,660	-	487,660
Donations and Private Grants	139,400	-	139,400	317,141	-	317,141
United Way Allocation	-	52,480	52,480	-	52,481	52,481
United Way Designations	43,360	-	43,360	22,318	-	22,318
Fundraising	97,140	-	97,140	77,724	-	77,724
Other	413,698	-	413,698	88,814	-	88,814
	<u>7,806,794</u>	<u>52,480</u>	<u>7,859,274</u>	<u>7,895,105</u>	<u>52,481</u>	<u>7,947,586</u>
<b>Net Assets Released from Restrictions</b>	<u>52,480</u>	<u>(52,480)</u>	<u>-</u>	<u>79,017</u>	<u>(79,017)</u>	<u>-</u>
<b>Total Revenues, Gains, and Other Support</b>	<u>7,859,274</u>	<u>-</u>	<u>7,859,274</u>	<u>7,974,122</u>	<u>(26,536)</u>	<u>7,947,586</u>
<b>Expenses</b>						
Program Services	5,827,887	-	5,827,887	6,090,397	-	6,090,397
Supporting Services	1,687,210	-	1,687,210	1,730,555	-	1,730,555
<b>Total Expenses</b>	<u>7,515,097</u>	<u>-</u>	<u>7,515,097</u>	<u>7,820,952</u>	<u>-</u>	<u>7,820,952</u>
<b>Change in Net Assets</b>	<u>344,177</u>	<u>-</u>	<u>344,177</u>	<u>153,170</u>	<u>(26,536)</u>	<u>126,634</u>
<b>Net Assets, Beginning of Year</b>	<u>4,740,680</u>	<u>470,045</u>	<u>5,210,725</u>	<u>4,587,510</u>	<u>496,581</u>	<u>5,084,091</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,084,857</u>	<u>\$ 470,045</u>	<u>\$ 5,554,902</u>	<u>\$ 4,740,680</u>	<u>\$ 470,045</u>	<u>\$ 5,210,725</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, 2017**

	Program Services						Supporting Services	
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Total
Salaries, Wages, and Benefits	\$ 988,667	\$ 213,020	\$ 706,520	\$ 1,657,696	\$ 197,785	\$ 3,763,688	\$ 1,238,200	\$ 5,001,888
Payroll Taxes	69,140	14,807	50,236	114,665	14,429	263,277	80,497	343,774
Professional Services	13,284	6,316	27,475	7,081	1,286	55,442	48,381	103,823
Day Service Charges	-	-	205,992	-	-	205,992	-	205,992
State Bed Fees	-	-	141,471	-	-	141,471	-	141,471
Supplies	12,940	27,850	87,028	6,723	36,474	171,015	20,283	191,298
Interest	12,511	-	-	-	-	12,511	-	12,511
Telephone	29,093	5,652	13,226	11,829	3,494	63,294	33,833	97,127
Occupancy	101,539	40,805	88,943	23,353	(59,971)	194,669	138,415	333,084
Insurance	90,400	23,883	62,173	89,805	66,981	333,242	41,531	374,773
Depreciation and Amortization	62,027	22,576	66,726	9,611	80,496	241,436	27,546	268,982
Travel and Transportation	118,500	299	44,922	15,295	39,091	218,107	12,874	230,981
Conferences and Training	8,053	4,196	12,288	24,558	122	49,217	14,839	64,056
Miscellaneous	6,978	10,761	17,713	5,449	73,625	114,526	30,811	145,337
<b>Total</b>	<b>\$ 1,513,132</b>	<b>\$ 370,165</b>	<b>\$ 1,524,713</b>	<b>\$ 1,966,065</b>	<b>\$ 453,812</b>	<b>\$ 5,827,887</b>	<b>\$ 1,687,210</b>	<b>\$ 7,515,097</b>

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, 2016**

	Program Services						Supporting Services	
	Adult Habilitation	Infant Habilitation	Residential	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Total
Salaries, Wages, and Benefits	\$ 1,003,896	\$ 198,600	\$ 640,930	\$ 1,816,453	\$ 306,950	\$ 3,966,829	\$ 1,288,655	\$ 5,255,484
Payroll Taxes	75,096	14,588	48,371	139,702	24,341	302,098	90,579	392,677
Professional Services	4,463	9,735	24,789	9,423	2,039	50,449	26,208	76,657
Day Service Charges	-	-	203,438	-	-	203,438	-	203,438
State Bed Fees	-	-	141,862	-	-	141,862	-	141,862
Supplies	12,211	24,558	78,527	6,420	35,653	157,369	16,861	174,230
Interest	20,567	-	-	-	-	20,567	-	20,567
Telephone	23,929	5,482	12,027	11,037	6,828	59,303	31,224	90,527
Occupancy	120,268	31,702	86,038	33,563	(33,503)	238,068	121,228	359,296
Insurance	86,447	19,224	56,649	78,471	75,770	316,561	41,206	357,767
Depreciation and Amortization	62,046	22,328	68,925	9,607	89,756	252,662	24,968	277,630
Travel and Transportation	137,648	111	40,597	18,756	41,656	238,768	22,527	261,295
Conferences and Training	10,260	2,457	11,065	27,005	398	51,185	5,687	56,872
Miscellaneous	4,618	741	16,901	6,593	62,385	91,238	61,412	152,650
<b>Total</b>	<b>\$ 1,561,449</b>	<b>\$ 329,526</b>	<b>\$ 1,430,119</b>	<b>\$ 2,157,030</b>	<b>\$ 612,273</b>	<b>\$ 6,090,397</b>	<b>\$ 1,730,555</b>	<b>\$ 7,820,952</b>

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, 2017 and 2016**

	2017	2016
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 344,177	\$ 126,634
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	268,980	277,630
Gain on Disposition of Property and Equipment	(10,500)	(34,304)
(Increase) Decrease in Operating Assets		
Accounts Receivable, Net	37,918	125,461
Unconditional Promises to Give, Net	31,999	50,246
Prepaid Expenses	10,389	(12,945)
Deposits	2,500	(2,500)
Notes Receivable	7,680	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable	189,636	13,466
Accrued Salaries, Wages, and Taxes	(106,063)	33,691
Accumulated Paid Leave	(7,795)	(4,833)
Deferred Revenue	115,000	(21,170)
<b>Net Cash Provided by Operating Activities</b>	<b>883,921</b>	<b>551,376</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(667,839)	(84,530)
Purchases of Other Assets	(204,728)	-
Proceeds from Sale of Property and Equipment	10,500	19,901
<b>Net Cash Used in Investing Activities</b>	<b>(862,067)</b>	<b>(64,629)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Line of Credit	280,197	-
Proceeds from Long-Term Debt	39,055	-
Principal Payments on Long-Term Debt	(99,754)	(192,682)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>219,498</b>	<b>(192,682)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>241,352</b>	<b>294,065</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,930,965</b>	<b>3,636,900</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,172,317</b>	<b>\$ 3,930,965</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Paid During the Year for Interest	\$ 49,832	\$ -
<b>Supplemental Disclosures of Non-Cash Financing Transactions</b>		
Debt Issued for Purchase of Building and Land	\$ 975,000	\$ -
Debt Issued for Renovations	\$ 205,404	\$ -
Increase in Notes Receivable from Sale of Property and Equipment	\$ -	\$ (17,240)

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

## STARC OF LOUISIANA, INC.

### Notes to Financial Statements

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#### 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 day care services, work training services, respite and personal care services, and residential housing for citizens of St. Tammany Parish with mental retardation and/or developmental disabilities.

##### **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.

##### **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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

Unrestricted Undesignated Net Assets - Assets that are not restricted by donors or for which there are no restrictions.

Unrestricted Board Designated Net Assets - Assets that have been designated by the Board of Directors for a specific use or purpose.

Temporarily Restricted Net Assets - The portion of net assets that arise from contributions that are restricted by donors for specific purposes or time periods.

Permanently Restricted Net Assets - A donation, grant, or contract, a portion of which is restricted by the donor or by law to be maintained by STARC in perpetuity. There were no permanently restricted net assets as of June 30, 2017 and 2016.

##### **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**

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#### **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, 2017, unconditional promises to give are shown on the statements of financial position consisted of \$58,708, net of allowance of \$8,100, due from donors of STARC for Life Campaign and \$52,481 due from United Way. As of June 30, 2016, unconditional promises to give shown on the statements of financial position consisted of \$90,707, net of allowance of \$9,500, due from donors of STARC for Life Campaign and \$52,481 due from United Way.

##### **Inventory**

Amortization expense for the years ended June 30, 2017 and 2016, was \$16,847 and \$19,061, respectively.

##### **Property and Equipment**

Purchased property and equipment in excess of \$5,000, is capitalized and recorded at cost at the date of acquisition. Contributed property and equipment is 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, 2017 and 2016, was \$252,133 and \$258,569, respectively.

##### **Restricted and Unrestricted Revenues and Other Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

## **STARC OF LOUISIANA, INC.**

### **Notes to Financial Statements**

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

##### **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.

##### **Functional Expense Allocation**

Functional expenses are allocated among the various programs, services, and general and administrative categories based on actual use or management's best estimate.

##### **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.

#### **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). STARC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

**STARC OF LOUISIANA, INC.****Notes to Financial Statements**

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**Note 2. Concentrations of Credit Risk (Continued)**

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, 2017, ad valorem taxes represents 22% of revenues, Medicaid waiver program represents 34% of revenues, and Title XIX represents 17% of revenues. As of June 30, 2016, ad valorem taxes represents 22% of revenues, Medicaid waiver program represents 35% of revenues, and Title XIX represents 16% of revenues.

**Note 3. Accounts Receivable**

As of June 30<sup>th</sup>, accounts receivable were comprised of:

	2017	2016
Waiver Services	\$ 205,354	\$ 261,190
Title XIX	104,847	110,330
Supported Services	59,145	66,628
Vehicle Grants	39,134	-
Contracted Services	23,841	30,511
Other	990	2,570
<b>Total</b>	<b>\$ 433,311</b>	<b>\$ 471,229</b>

**Note 4. Unconditional Promises to Give**

As of June 30<sup>th</sup>, unconditional promises to give were comprised of:

	2017	2016
Due Within One Year	\$ 119,289	\$ 105,628
Due in One to Five Years	-	47,060
	119,289	152,688
Less: Allowance	(8,100)	(9,500)
<b>Unconditional Promises to Give, Net</b>	<b>\$ 111,189</b>	<b>\$ 143,188</b>

## STARC OF LOUISIANA, INC.

### Notes to Financial Statements

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#### Note 5. Notes Receivable

On October 1, 2015, STARC entered into a promissory note due from The Northshore Project, for a vehicle sold in the amount of \$23,000, with a monthly payment of \$640 for a period of 36 months.

Future minimum receipts are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2018	\$ 7,680
2019	<u>1,880</u>
<b>Total</b>	<b><u>\$ 9,560</u></b>

#### 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.

	<b>2017</b>	<b>2016</b>
Beginning Balance	<b>\$ 169,591</b>	\$ 174,424
Additions	<b>201,681</b>	195,737
Reductions	<b>(209,476)</b>	(200,570)
<b>Ending Balance</b>	<b><u>\$ 161,796</u></b>	<u>\$ 169,591</u>

#### 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 unrestricted net assets to ensure adequate financing. At June 30, 2017 and 2016, STARC's Board had \$347,467 and \$46,918, respectively, in designated funds.

## **STARC OF LOUISIANA, INC.**

### **Notes to Financial Statements**

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#### **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 \$1,834,329 and \$1,744,151, of which \$1,345,303 and \$1,204,950 was deferred for the fiscal years ended June 30, 2017 and 2016, respectively, to properly recognize revenue when it will be earned. STARC incurred expenditures relating to the services provided in the amount of \$1,712,420 and \$1,752,959, for the years ended June 30, 2017 and 2016, 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.

#### **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, 2017 and 2016, was \$95,840 and \$74,799, respectively.

#### **Note 10. Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$470,045, for years ended June 30, 2017 and 2016, are donations from corporations, individuals, and pledges receivable from the United Way of Greater New Orleans to support adult services and Jacob's Ladder Adult Day Care. There were \$52,480 and \$79,017 of temporarily restricted net assets released from donor restrictions for the years ended June 30, 2017 and 2016, respectively.

#### **Note 11. Donated Facilities**

STARC occupies 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 \$32,100, for the years ended June 30, 2017 and 2016. This amount includes donated rent at fair value of the property and donated utilities.



## STARC OF LOUISIANA, INC.

### Notes to Financial Statements

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#### Note 12. Line of Credit

STARC has an \$800,000 line of credit as of June 30, 2017 and 2016, bearing interest at a variable interest rate, which was 4.65% as of June 30, 2017 and is secured by a collateral real estate mortgage. The balance as of June 30, 2017 was \$74,793. There was no balance as of June 30, 2016.

#### Note 13. Construction Loan

On May 31, 2017, STARC entered into a construction loan agreement for construction and renovation of a building located at 40201 Hwy 190 East, Slidell, Louisiana. The loan shall not exceed \$1,024,999 and bears interest at a variable interest rate which was 4.80% as of June 30, 2017. Total advances as of June 30, 2017 were \$205,404. Upon completion of the project, the loan is expected to convert to a mortgage note.

#### Note 14. Long-Term Debt

STARC had the following note payable as of June 30<sup>th</sup>:

	2017	2016
Mortgage note dated March 24, 2011, payable to a bank in monthly installments of \$5,406, consisting of principal and interest accruing at a rate of 6.1% through November 2018. Collateralized by land and building.	\$ 147,655	\$ 247,411
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 4.3% through June 2024. Collateralized by land and building.	975,000	-
<b>Total</b>	<b>\$ 1,122,655</b>	<b>\$ 247,411</b>

Maturities are as follows:

Year Ending June 30,	Amount
2018	\$ 157,830
2019	105,841
2020	67,050
2021	70,131
2022	73,250
Thereafter	648,553
<b>Total</b>	<b>\$ 1,122,655</b>

## STARC OF LOUISIANA, INC.

### Notes to Financial Statements

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#### Note 14. Long-Term Debt (Continued)

Interest paid on the note payable for the years ended June 30, 2017 and 2016, was \$54,287 and \$20,567, respectively.

#### Note 15. Warehouse Lease

In September 2015, STARC entered into an agreement to lease the warehouse which housed the linen service operations to a third party. The lease has a term of 36 months, beginning October 2, 2015. The lessee agreed to pay monthly installments of \$2,960 for the first six months. The monthly installments increased by \$740 per month for the next six months. Monthly installments for the remaining 24 months are \$7,400. STARC will receive future rental lease income in the amount of \$88,800 and \$22,200, for the years ending June 30, 2018 and 2019, respectively.

#### Note 16. Operating Leases

STARC signed a one-year term lease commencing on September 1, 2008 for the rental of office space. The lease continues on a month-to-month basis. Monthly rental amounts are approximately \$2,534. In addition, STARC signed a one-year lease commencing on March 1, 2013 for rental of office space. The lease includes two one-year options with three months prior notice. Monthly rent amounts are \$741. Both office space rent agreements contain a donated portion of the lease which is detailed in Note 11. Actual rental expense paid for the years ended June 30, 2017 and 2016, was \$39,300 for both locations.

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.

Future minimum lease payments on office space are as follows:

Year Ending June 30,	Amount
2018	\$ 4,800
2019	4,800
2020	<u>800</u>
<b>Total</b>	<u><u>\$ 10,400</u></u>

STARC has multiple operating leases for office equipment at various locations. Lease expense for office equipment for the years ended June 30, 2017 and 2016, was \$15,011 and \$16,972, respectively,

## **STARC OF LOUISIANA, INC.**

### **Notes to Financial Statements**

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#### **Note 17. Related Parties**

Payments for miscellaneous building repairs and vehicle maintenance of \$871 and \$6,732 were paid to employees' spouses for the years ended June 30, 2017 and 2016, respectively.

#### **Note 18. 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, 2017 and 2016, was \$12,292 and \$12,053, respectively.

#### **Note 19. 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 \$67,501 and \$61,024, for the years ended June 30, 2017 and 2016, respectively, and is recorded in salary, wages, and benefits on the statements of functional expense.

#### **Note 20. 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.

**STARC OF LOUISIANA, INC.**

**Notes to Financial Statements**

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**Note 21. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 19, 2017, and determined that no events occurred that require disclosure. No subsequent events after this date 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, 2017**

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Louisiana Revised Statute 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 LRS 24:513(A)(3) to clarify that non-governmental entities or non-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**  
Dianne Baham, Executive Director

<b>Purpose</b>	<b>Amount</b>
Salary	\$111,915
Benefits - Insurance	\$58
Benefits - Retirement	\$2,901
Benefits - Other	\$19,001
Vehicle Provided by Agency	\$6,797
Per Diem	\$0
Reimbursements	\$0
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, 2017, 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 December 19, 2017.

**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) to determine the 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 determination of 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 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

Metairie, LA  
December 19, 2017



**STARC OF LOUISIANA, INC.**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2017**

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**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 statement?                       | 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, 2017**

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**Findings Related to the Financial Statements**

None

**AGREED-UPON PROCEDURES REPORT**  
STARC of Louisiana, Inc.

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

**For the Year Ended June 30, 2017**

To the Management of STARC of Louisiana, Inc.

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted.

Management of STARC of Louisiana, Inc. (STARC) is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of STARC and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls at STARC during the year ended June 30, 2017, in accordance with Act 774 of 2014 Regular Legislative Session. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

***Written Policies and Procedures***

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1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable to the entity's public funds:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; and (3) the preparation and approval process of purchase requisitions and purchase orders
  - c) ***Disbursements***, including processing, reviewing, and approving

- d) ***Receipts***, including receiving, recording, and preparing deposits
- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Bank Reconciliations***, including (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 6 months

### **Results:**

STARC's written policies and procedures addressed each of the financial/business functions listed above with the following exceptions:

#### **Purchasing**

- How vendors are added to the vendor list was not addressed within the policy.

#### **Contracting**

- STARC does not have a general policy which addresses the elements listed above. STARC does have a policy which addresses the approval and monitoring processes of contracts for construction, renovation, and major repairs.

#### **Bank Reconciliations**

- Review of all bank reconciliations by someone independent of cash receipt and disbursement functions was not addressed within the policy.
- STARC's policy regarding addressing items outstanding for more than 6 months stipulates the length of time as 1 year instead of 6 months.

### **Board Oversight (or Finance Committee, if applicable)**

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1. Obtain and review the board/committee minutes for the fiscal period, and:
  - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

**Results:** STARC's board met ten months out of the year. The board does not schedule a meeting in the month of July. The December meeting is informal and includes a holiday celebration. The finance committee met monthly (12 times) during the year.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons for public funds.

**Results:** The board minutes included a copy of the monthly budget-to-actual comparison for STARC.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

**Results:** The August 23, 2016 meeting board minutes referenced non-budgetary financial information.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of STARC of Louisiana, Inc. and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA  
December 19, 2017