

STARC OF LOUISIANA, INC.

Audits of Financial Statements

June 30, 2024 and 2023



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of STARC of Louisiana, Inc. (STARC) (a Louisiana not-for-profit corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of STARC as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of STARC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about STARC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STARC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about STARC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head 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 October 14, 2024 on our consideration of STARC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
October 14, 2024

STARC OF LOUISIANA, INC.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 5,516,982	\$ 5,739,852
Certificates of Deposit, Short-Term	1,285,132	908,657
Accounts Receivable	538,871	547,485
Unconditional Promises to Give, Net	-	25,000
Prepaid Expenses	149,436	128,400
Total Current Assets	7,490,421	7,349,394
Property and Equipment		
Buildings and Improvements	6,527,234	6,463,114
Furniture and Equipment	205,689	195,596
Vehicles	1,348,234	956,629
	8,081,157	7,615,339
Less: Accumulated Depreciation	(3,903,919)	(3,543,416)
	4,177,238	4,071,923
Land	932,648	642,025
Construction in Progress	5,047	-
Total Property and Equipment, Net	5,114,933	4,713,948
Other Assets		
Certificates of Deposit, Long-Term	-	213,237
Bed Licenses	160,000	165,834
Total Other Assets	160,000	379,071
Total Assets	\$ 12,765,354	\$ 12,442,413

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

STARC OF LOUISIANA, INC.
Statements of Financial Position (Continued)
June 30, 2024 and 2023

	2024	2023
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 20,497	\$ 126,106
Accrued Salaries, Wages, and Taxes	433,599	349,797
Accumulated Paid Leave	199,005	213,490
Deferred Revenue	2,164,329	2,321,109
Current Maturities of Long-Term Debt	110,823	105,875
Total Current Liabilities	2,928,253	3,116,377
Other Liabilities		
Long-Term Debt, Net of Current Maturities	896,769	1,085,749
Total Other Liabilities	896,769	1,085,749
Total Liabilities	3,825,022	4,202,126
Net Assets		
Without Donor Restrictions		
Undesignated	8,274,472	7,624,005
Board Designated	665,860	616,282
Total Net Assets	8,940,332	8,240,287
Total Liabilities and Net Assets	\$ 12,765,354	\$ 12,442,413

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

STARC OF LOUISIANA, INC.
Statements of Activities
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Government Grants and Contracts	\$ 5,663,627	\$ -	\$ 5,663,627	\$ 5,234,609	\$ -	\$ 5,234,609
Ad Valorem Taxes	2,527,395	-	2,527,395	1,940,133	-	1,940,133
Private Providers	726,668	-	726,668	680,420	-	680,420
Dedicated Program Funding						
Pool Payment	-	-	-	498,125	-	498,125
Provider Relief Funds	428,001	-	428,001	-	-	-
Sale of Services	177,089	-	177,089	246,381	-	246,381
Fundraising	184,560	-	184,560	175,801	-	175,801
Donations and Private Grants	136,729	-	136,729	147,750	-	147,750
Interest, Dividends, and Gains on Investments	138,921	-	138,921	49,004	-	49,004
Other	53,300	-	53,300	35,379	-	35,379
United Way Allocation	-	-	-	24,999	-	24,999
United Way Designations	11,762	-	11,762	19,889	-	19,889
	10,048,052	-	10,048,052	9,052,490	-	9,052,490
Net Assets Released from Restrictions	-	-	-	470,045	(470,045)	-
Total Revenues, Gains, and Other Support	10,048,052	-	10,048,052	9,522,535	(470,045)	9,052,490
Expenses						
Program Services	7,657,092	-	7,657,092	6,905,982	-	6,905,982
Supporting Services	1,690,915	-	1,690,915	1,640,381	-	1,640,381
Total Expenses	9,348,007	-	9,348,007	8,546,363	-	8,546,363
Change in Net Assets	700,045	-	700,045	976,172	(470,045)	506,127
Net Assets, Beginning of Year	8,240,287	-	8,240,287	7,264,115	470,045	7,734,160
Net Assets, End of Year	\$ 8,940,332	\$ -	\$ 8,940,332	\$ 8,240,287	\$ -	\$ 8,240,287

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, 2024

	Program Services						Supporting Services			
	Adult Habilitation	Infant Habilitation	Residential Services	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Board and Fundraising	Total Supporting Services	Total
Salaries, Wages, and Benefits	\$ 973,648	\$ 26,521	\$ 1,261,166	\$ 2,276,606	\$ 138,758	\$ 4,676,699	\$ 1,095,691	\$ 64,707	\$ 1,160,398	\$ 5,837,097
Contract Services	34,834	-	474,392	24,359	23,644	557,229	86,924	4,000	90,924	648,153
Occupancy	130,990	166	203,738	63,747	579	399,220	60,911	5,284	66,195	465,415
Insurance	118,038	3,685	149,143	81,065	35,308	387,239	53,410	10,983	64,393	451,632
Depreciation and Amortization	156,528	-	150,675	29,092	11,608	347,903	66,148	-	66,148	414,051
Payroll Taxes	70,243	1,056	88,590	137,044	10,532	307,465	68,493	5,024	73,517	380,982
Supplies	41,212	44	194,146	7,425	4,461	247,288	15,979	153	16,132	263,420
Day Service Charges	-	-	234,876	-	-	234,876	-	-	-	234,876
State Bed Fees	-	-	189,148	-	-	189,148	-	-	-	189,148
Travel and Transportation	37,672	-	50,313	15,787	11,894	115,666	16,756	11	16,767	132,433
Telephone	29,161	181	22,272	16,074	1,451	69,139	29,461	641	30,102	99,241
Professional Services	463	-	45,687	250	-	46,400	29,738	2,732	32,470	78,870
Miscellaneous	4,815	-	6,301	22,710	8,163	41,989	16,865	18,372	35,237	77,226
Interest	22,320	-	-	-	-	22,320	17,008	-	17,008	39,328
Conferences and Training	4,070	-	3,231	7,210	-	14,511	4,874	-	4,874	19,385
Fundraising	-	-	-	-	-	-	-	16,750	16,750	16,750
Total	\$ 1,623,994	\$ 31,653	\$ 3,073,678	\$ 2,681,369	\$ 246,398	\$ 7,657,092	\$ 1,562,258	\$ 128,657	\$ 1,690,915	\$ 9,348,007

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, 2023

	Program Services						Supporting Services			
	Adult Habilitation	Infant Habilitation	Residential Services	Waivered Services	Commercial Business Services	Total Program Services	General and Administrative	Board and Fundraising	Total Supporting Services	Total
Salaries, Wages, and Benefits	\$ 907,324	\$ 24,427	\$ 1,202,463	\$ 1,862,405	\$ 108,527	\$ 4,105,146	\$ 1,060,534	\$ 73,005	\$ 1,133,539	\$ 5,238,685
Contract Services	5,668	-	408,960	21,217	35,158	471,003	47,132	-	47,132	518,135
Insurance	102,009	3,599	137,741	81,208	32,701	357,258	49,661	10,080	59,741	416,999
Depreciation and Amortization	119,505	-	187,356	29,314	10,860	347,035	66,357	-	66,357	413,392
Occupancy	123,507	144	142,497	55,654	4,797	326,599	55,682	4,838	60,520	387,119
Payroll Taxes	65,883	1,065	84,521	132,811	8,305	292,585	66,338	21,938	88,276	380,861
Day Service Charges	-	-	282,089	-	-	282,089	-	-	-	282,089
Supplies	28,461	1,723	180,313	6,738	3,465	220,700	13,821	46	13,867	234,567
State Bed Fees	-	-	187,212	-	-	187,212	-	-	-	187,212
Travel and Transportation	34,285	-	48,878	12,367	30,128	125,658	22,187	66	22,253	147,911
Telephone	28,109	217	22,205	16,388	1,615	68,534	30,459	675	31,134	99,668
Miscellaneous	3,400	-	9,374	32,486	1,378	46,638	17,410	14,328	31,738	78,376
Professional Services	556	-	39,920	575	139	41,190	20,516	139	20,655	61,845
Interest	25,630	-	748	-	-	26,378	19,434	-	19,434	45,812
Fundraising	-	-	-	-	-	-	-	42,890	42,890	42,890
Conferences and Training	2,862	-	2,177	2,918	-	7,957	2,845	-	2,845	10,802
Total	\$ 1,447,199	\$ 31,175	\$ 2,936,454	\$ 2,254,081	\$ 237,073	\$ 6,905,982	\$ 1,472,376	\$ 168,005	\$ 1,640,381	\$ 8,546,363

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, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in Net Assets	\$ 700,045	\$ 506,127
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	416,892	416,233
(Gain) Loss on Disposal of Property and Equipment	(11,000)	5,061
(Increase) Decrease in Operating Assets		
Accounts Receivable	8,614	(79,607)
Unconditional Promises to Give, Net	25,000	-
Prepaid Expenses	(21,036)	(9,922)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(105,609)	9,420
Accrued Salaries, Wages, and Taxes	83,802	(105,325)
Accumulated Paid Leave	(14,485)	(3,361)
Deferred Revenue	(156,780)	46,768
Net Cash Provided by Operating Activities	925,443	785,394
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(804,155)	(247,142)
Purchases of Construction in Progress	(5,047)	-
Purchases of Other Assets	-	(160,000)
Proceeds from Sale of Property and Equipment	11,000	12,700
Net Cash Used in Investing Activities	(798,202)	(394,442)
Cash Flows from Financing Activities		
Purchase of Certificates of Deposits, Net	(163,238)	(1,091,756)
Principal Payments on Long-Term Debt	(186,873)	(194,428)
Net Cash Used in Financing Activities	(350,111)	(1,286,184)
Net Decrease in Cash and Cash Equivalents	(222,870)	(895,232)
Cash and Cash Equivalents, Beginning of Year	5,739,852	6,635,084
Cash and Cash Equivalents, End of Year	\$ 5,516,982	\$ 5,739,852
Supplemental Disclosure of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 39,328	\$ 45,812

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) (a Louisiana not-for-profit corporation), 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 STARC's 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.

Use of Estimates

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

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, including certificates of deposit, to be cash equivalents. As of June 30, 2024 and 2023, there were no certificates of deposits that met this criteria to be classified as a cash equivalent.

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 U.S. GAAP.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

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

Accounts Receivable (Continued)

As of July 1, 2023, in accordance with the new credit loss standard (see *Recent Accounting Pronouncements - Adopted*) management determines the necessity and amount of allowance for credit losses for trade receivables based on historical experience, current economic conditions, and certain forward-looking information. Account balances are written-off against the established allowance when management determines it is probable the receivable will not be collected. As of June 30, 2024, management's analysis determined potential credit losses were trivial and, as such, have recorded no allowance for credit losses for trade receivables.

Contributions and 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. STARC determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As a result, pledges are recorded at the net realizable value. As of June 30, 2023, unconditional promises to give shown on the statements of financial position consisted of \$25,000 due from United Way. There were no promises to give from United Way as of June 30, 2024.

Revenue Recognition

STARC recognizes revenue from contracts with customers when commercial substance exists, approvals have been obtained and commitment to perform exists, rights of both parties and payment terms are identifiable, and collection is probable.

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. Management assesses each good or service promised in a contract and identifies each promise as a performance obligation. The transaction price is the amount of consideration (fixed or variable) expected to be received in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. If the considerations promised in a contract include a variable amount, management will estimate the amount to which it expects to be entitled using the most-likely-amount method. Estimated amounts are only included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue will not occur when the uncertainty associated with the variable consideration is received. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

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

Revenue Recognition (Continued)

Habilitation, Residential, and Waivered Services

STARC recognizes revenue from habilitation, residential, and waivered programs during the year in which the related services are provided to the individual.

STARC offers care services to individuals in the programs at standard contracted rates. Medicaid or the payor is billed monthly for services provided. The performance obligation of delivering care services is simultaneously received and consumed by the individual. Revenue related to services performed as needed is recognized at a point in time, on the day the service is performed. Contracts for services are combined into a single portfolio of similar contracts.

Fundraising Income

STARC hosts fundraisers and special events during the year. Fundraising income is primarily made up of contributions without donor restrictions. Donations raised for a specific cause are recognized at a point in time when the consideration is received.

Bed Licenses Amortization

Expense for amortization of the bed licenses for the years ended June 30, 2024 and 2023 totaled \$5,834 and \$40,000, 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, 2024 and 2023 was \$408,217 and \$373,392, 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.

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. The expenses that are allocated are allocated on the basis of estimates of time and effort or on the basis of square footage. Allocable expenses include salaries and benefits, occupancy, insurance, and depreciation expense.

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.

Leases

STARC accounts for leases under FASB ASC 842, which requires lessees to record right-of-use (ROU) assets and related lease obligations on the statements of financial position. The ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments over that term. Similar to the previous lease guidance, ASC 842 retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities.

ROU assets and liabilities are recognized at commencement based on the present value of lease payments over the lease term. ROU assets also include any lease payments made prior to lease commencement and exclude lease incentives. The lease term is the noncancelable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that an option will be exercised. STARC has elected the private company alternative available in ASC 842 to use a risk free rate over a similar term in computing the present value of lease payments.

As permitted by the standard, STARC elected, for all asset classes, the short-term lease exemption. A short-term lease is a lease that, at the commencement date, has a term of twelve months or less and does not include an option to purchase the underlying asset.

As of June 30, 2024 and 2023, STARC has identified no significant long-term leases and, as such, has recorded no ROU assets nor lease liabilities on the statements of financial position.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

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

Recent Accounting Pronouncements - Adopted

On July 2, 2023, STARC implemented Accounting Standards Update (ASU) 2016-13 and all subsequent ASUs that modified ASU 2016-13, which have been codified under ASC 326, *Financial Instruments - Credit Losses*. This standard modified guidance related to estimating allowances for credit losses for amortized assets, such as trade receivables. STARC implemented this guidance using the modified retrospective approach, as required, and has not adjusted prior period comparative information and will continue to disclose prior period information in accordance with the previous accounting guidance. The implementation of ASC 326 did not result in a significant impact to the financial statements.

Reclassification

Certain reclassifications have been made in the prior year financial statements in order for them to be in conformity with current year presentation.

Note 2. Concentrations of Credit Risk

STARC has concentrated its credit risk by maintaining deposits and certificates of deposit 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, 2024 and 2023, approximately \$2,500,000 and \$3,900,000, respectively, 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, 2024, ad valorem taxes represent 25% of revenues, the Medicaid waiver program represents 39% of revenues, and Title XIX funding represents 24% of revenues. As of June 30, 2023, ad valorem taxes represented 21% of revenues, the Medicaid waiver program represented 34% of revenues, and Title XIX funding represented 23% of revenues.

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

Note 3. Accounts Receivable

As of June 30, 2024, 2023, and 2022, accounts receivable were comprised of:

	2024	2023	2022
Title XIX Funding	\$ 185,291	\$ 212,344	\$ 209,401
Waiver Services	204,117	179,754	155,433
Supported Services	98,228	84,601	69,973
Contracted Services	19,735	18,425	32,564
Other	31,500	52,361	507
Total	\$ 538,871	\$ 547,485	\$ 467,878

Note 4. Unconditional Promises to Give

As of June 30, 2024 and 2023, unconditional promises to give were comprised of:

	2024	2023
Due Within One Year	\$ -	\$ 25,000
Less: Allowance	-	-
Unconditional Promises to Give, Net	\$ -	\$ 25,000

Note 5. Liquidity and Availability

STARC holds various certificates of deposit maturing between November 2024 and March 2025. As of June 30, 2024 and 2023, certificates of deposit totaled \$1,285,132 and \$1,121,894, respectively.

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 dates, consisted of the following:

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

Note 5. Liquidity and Availability (Continued)

	2024	2023
Cash and Cash Equivalents	\$ 5,516,982	\$ 5,739,852
Certificates of Deposit, Short-Term	1,285,132	908,657
Accounts Receivable	538,871	547,485
Unconditional Promises to Give, Net	-	25,000
	<u>7,340,985</u>	<u>7,220,994</u>
Less: Board-Designated Amounts	<u>(665,860)</u>	<u>(616,282)</u>
Total Amounts Available for Use Within One Year	<u>\$ 6,675,125</u>	<u>\$ 6,604,712</u>

In addition, STARC has available a \$500,000 operating line of credit to draw upon which matures in April 2025.

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 to use for time off during that fiscal year. The amount of leave each employee 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.

Accumulated paid leave as of June 30, 2024 and 2023 was as follows:

	2024	2023
Beginning Balance	\$ 213,490	\$ 216,851
Additions	241,929	204,661
Reductions	<u>(256,414)</u>	<u>(208,022)</u>
Ending Balance	<u>\$ 199,005</u>	<u>\$ 213,490</u>

STARC OF LOUISIANA, INC.

Notes to Financial Statements

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, 2024 and 2023, STARC's Board had \$665,860 and \$616,282, respectively, in 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

The St. Tammany Parish Government (the Government) and STARC currently have an administration agreement whereby the Government distributes a portion of a property tax millage levied for the benefit of social welfare programs to STARC. The millage was approved by the voters in 2019 for a period of 10 years ending with the year 2028. The agreement requires the Government to compensate STARC fifty percent (50%) of the current 1.83 mill tax annually. Under the agreement, STARC provides services relating to acquiring, constructing, improving, maintaining, and operating authorized activities, services, programs, and/or facilities for disabled persons in St. Tammany Parish. The amount passed through to STARC is based on the property taxes collected less administrative costs imposed by the Government.

The ad valorem tax received from the Government and the expenditures incurred are included in the specific programs and supporting services of STARC on the statements of activities. For the fiscal years ended June 30, 2024 and 2023, STARC received \$2,350,797 and \$2,195,989, respectively. STARC incurred expenditures relating to the services provided in the amount of \$2,527,395 and \$1,940,133 for the years ended June 30, 2024 and 2023, respectively. STARC has recorded deferred revenue of \$2,164,329 and \$2,320,297, respectively, in order to properly recognize revenue when it will be earned.

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, 2024 and 2023 was \$11,762 and \$44,888, respectively.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions, which totaled \$470,045 for year ended June 30, 2022 included donations from nonprofits, corporations, and individuals in previous years to support adult services. Management has determined that these balances were released from restriction during the year ended June 30, 2023 due to the passage of time, and as the donors expressed no intent nor requirement to return previously restricted funds.

There were approximately \$25,000 of net assets released in the same year and shown as without donor restrictions on the statements of activities for the year ended June 30, 2023. No net assets were released from restriction during the year ended June 30, 2024.

Note 11. Long-Term Debt

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

	2024	2023
Mortgage note dated October 6, 2020, payable to a bank in monthly installments of \$11,754, consisting of principal and interest accruing at a rate of 3.19% through October 2035. Collateralized by land and building.	\$ 1,021,795	\$ 1,207,425
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.	-	1,243
Total Debt	1,021,795	1,208,668
Less: Current Portion	(110,823)	(105,875)
Less: Capitalized Refinancing Costs	(14,203)	(17,044)
Total Long-Term Debt	\$ 896,769	\$ 1,085,749

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 11. Long-Term Debt (Continued)

Maturities of long-term debt as of June 30, 2024 are as follows:

Year Ending June 30,	Amount
2025	\$ 110,823
2026	117,120
2027	123,623
2028	130,315
2029	<u>539,914</u>
Total	<u>\$ 1,021,795</u>

Interest paid on notes payable for the years ended June 30, 2024 and 2023 was \$39,328 and \$45,812, respectively.

Note 12. Line of Credit

STARC has a \$500,000 line of credit with a local bank which matures in April 2025. The line of credit has an interest rate of 0.5% over the Wall Street Journal Prime Rate. There was no outstanding balances on the line of credit at June 30, 2024 and 2023.

Note 13. Operating Leases

STARC has various short-term operating leases for office equipment at various locations. Lease expense for office equipment for the years ended June 30, 2024 and 2023 totaled \$17,362 and \$14,622, 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.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 14. Retirement Plans (Continued)

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 contributions for both plans for the years ended June 30, 2024 and 2023 were \$48,516 and \$36,335, 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 \$64,771 and \$42,564 for the years ended June 30, 2024 and 2023, respectively, and is recorded in salary, wages, and benefits on the statements of functional expenses.

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.

In April 2020, STARC applied for and received approximately \$1,000,000 in loan proceeds through the Paycheck Protection Program (PPP) enacted by Congress as a response to the COVID pandemic. In August 2021, those proceeds were forgiven in full by the Small Business Administration (SBA). The SBA will have to right to audit STARC's compliance with the PPP for a period up to six years after forgiveness is granted. Any unfavorable outcome resulting from the SBA's review or audit will be reported once known and may materially impact STARC's financial position and/or results of future operations.

STARC OF LOUISIANA, INC.

Notes to Financial Statements

Note 17. Related-Party Activity

During the year ended June 30, 2023, STARC entered into an accounting services agreement with Taylor & Willis, CPAs and Advisors (T&W) to provide outsourced accounting services. An employee with T&W serves as a member of STARC's Board of Directors and provides services to STARC under this agreement. Amounts paid to T&W for these services during the year ended June 30, 2024 and 2023 totaled \$76,054 and \$27,743, respectively. Amounts payable to T&W under this agreement totaled \$6,170 and \$10,700 as of June 30, 2024 and 2023, respectively.

The Board of Directors of STARC, excluding the board member employed by T&W, has reviewed and approved this agreement to ensure it is in the best interests of STARC, and that the services are provided at fair market value. The board member employed by T&W recused themselves from all discussions and decisions regarding this agreement. Furthermore, the Board of Directors of STARC believes that the terms and conditions of the agreement with T&W are fair and reasonable and that the services received have been essential to STARC's operations.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 14, 2024, and determined that no events occurred which require disclosure. No further subsequent events occurring 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, 2024

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	\$142,512
Benefits - Insurance	\$58
Benefits - Retirement	\$1,170
Benefits - Other	\$15,883
Vehicle Provided by Agency	\$11,370
Per Diem	\$0
Reimbursements	\$1,001
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 (STARC)., which comprise the statement of financial position as of June 30, 2024, 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 October 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered STARC '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's internal control. Accordingly, we do not express an opinion on the effectiveness of STARC'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether STARC'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 "LaForte".

A Professional Accounting Corporation

Covington, LA
October 14, 2024

STARC OF LOUISIANA, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's 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 |

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, 2024

None.