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EDUCATIONAL AND TREATMENT COUNCIL, INC.  
FINANCIAL AND COMPLIANCE REPORT  
JUNE 30, 1997

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Release Date 3/18/98

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EDUCATIONAL AND TREATMENT COUNCIL, INC.

June 30, 1987

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# McELROY, QUINN & BURCH

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
MEMBER  
SOCIETY OF LOUISIANA  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Educational and Treatment Council, Inc.  
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Educational and Treatment Council, Inc. is nonprofit organization as of June 30, 1997, and the related statements of activities and functional expenses and changes in net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educational and Treatment Council, Inc. as of June 30, 1997, and the changes in its net assets and the cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 1997, on our consideration of Educational and Treatment Council, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Educational and Treatment Council, Inc. taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular 2-122, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Malley, Frank Beards*

Lake Charles, Louisiana  
December 1, 1977

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 1977

With Comparative Totals for June 30, 1976

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted
Cash and cash equivalents	\$ 881,318	\$ 22,544	\$ -
Accounts and interest receivable	88,118	-	-
Prepaid expenses	12,882	-	-
Land, buildings, and equipment	<u>151,320</u>	<u>-</u>	<u>12,168</u>
<b>Total assets</b>	<b><u>\$ 1,133,638</u></b>	<b><u>\$ 22,544</u></b>	<b><u>\$ 12,168</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 24,504	\$ -	\$ -
accrued salary and payroll taxes	9,512	-	-
accrued maternity benefits	-	3,728	-
Total liabilities	<u>33,827</u>	<u>3,728</u>	<u>-</u>
<b>NET ASSETS</b>			
Unrestricted	1,099,811	-	-
Temporarily restricted:			
For use in future years:			
Art therapy	-	18,816	-
Maternity clinic	-	2,112	-
Permanently restricted:			
for purchase of property and equipment	-	-	12,168
Total net assets	<u>1,099,811</u>	<u>20,928</u>	<u>12,168</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,133,638</u></b>	<b><u>\$ 22,544</u></b>	<b><u>\$ 12,168</u></b>

See accompanying notes to financial statements.

<u>Total</u>	
<u>1957</u>	<u>1958</u>
\$ 800,000	\$ 400,000
80,130	20,717
10,000	11,040
<u>890,130</u>	<u>431,757</u>
<u>\$ 1,690,130</u>	<u>\$ 833,517</u>

\$ 80,000	\$ 1,000
2,000	20,000
<u>82,000</u>	<u>21,000</u>
<u>40,000</u>	<u>10,000</u>

1,000,410      770,470

10,000      10,000  
 .      700

11,000      20,700  
1,021,410      791,170

\$ 1,691,410      \$ 833,517

EDUCATIONAL AND TREATMENT CENTER, INC.

STATEMENT OF ACTIVITIES

June 30, 1987

With Comparative Totals as June 30, 1986

	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public support:			
contributions	\$ 13,518	\$ 250	\$ -
grants and contracts:			
Federal programs	542,444	-	3,149
State sources	322,250	-	-
Fees	181,862	-	-
Totals	<u>1,046,974</u>	<u>250</u>	<u>3,149</u>
Total public support	<u>1,183,792</u>	<u>500</u>	<u>3,149</u>
Revenue:			
investment income	19,188	204	-
private placements	3,008	-	-
client fees	2,012	-	-
other	2,872	-	-
Total revenue	<u>28,080</u>	<u>204</u>	<u>-</u>
Total public support and revenue	<u>1,211,872</u>	<u>704</u>	<u>3,149</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	887	(447)	-
Expiration of time restrictions	3,182	-	12,524
Total net assets released from restrictions	<u>4,069</u>	<u>(447)</u>	<u>12,524</u>
Total revenue, gain and other support	<u>1,215,941</u>	<u>257</u>	<u>12,524</u>
Expenses and transfers:			
Barber House	573,251	-	-
Crisis Counseling	509,787	-	-
Fund-raising	151	-	-
Total expenses	<u>1,083,189</u>	<u>-</u>	<u>-</u>
Change in net assets	132,752	(190)	12,524
Net assets, beginning	<u>732,672</u>	<u>21,840</u>	<u>18,524</u>
Net assets, ending	<u>865,424</u>	<u>21,650</u>	<u>31,048</u>

See accompanying notes to financial statements.

<u>Total</u>	
<u>1997</u>	<u>1998</u>

P	\$ 55,548	P	\$ 58,133
	245,793		250,812
	322,250		308,945
	<u>623,591</u>		<u>618,858</u>
	<u>1,143,332</u>		<u>1,200,666</u>

	19,784		24,473
	3,080		2,310
	2,332		3,588
	<u>7,472</u>		<u>622</u>
	<u>32,468</u>		<u>32,623</u>
	<u>1,225,764</u>		<u>1,233,279</u>

-	-
-	-
-	-

<u>1,225,764</u>	<u>1,231,979</u>
------------------	------------------

	715,453		724,153
	228,787		244,883
	<u>72</u>		<u>424</u>
	<u>944,232</u>		<u>973,460</u>

	217,904		171,919
	<u>726,137</u>		<u>622,449</u>

<u>1,670,369</u>	<u>1,596,389</u>
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EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS  
 Year Ended June 30, 1997  
 With Comparative Totals for Year Ended June 30, 1996

	<u>1997</u>	<u>1996</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash received from services rendered	\$ 8,293	\$ 5,818
Cash received from contributions	17,569	29,133
Cash collected on grants receivable	-	110,000
Cash collected Federal grants and contracts	393,087	324,883
Cash collected on grants contracts	219,828	187,250
Cash collected from tax levy	303,848	418,818
Interest received	18,764	24,873
Miscellaneous receipts	7,479	903
Interest paid	(4,222)	(1,148)
Cash paid to employees and suppliers	<u>(1,845,884)</u>	<u>(2,218,338)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>218,492</u>	<u>488,927</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase furniture and equipment	<u>(28,265)</u>	<u>(14,315)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Investments in property and equipment	(14,391)	113,487
Payments on long term debt	<u>(18,824)</u>	<u>(16,884)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(33,215)</u>	<u>(20,212)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	152,062	218,503
Cash and cash equivalents:		
Beginning	<u>428,248</u>	<u>218,503</u>
Ending	<u>\$ 580,310</u>	<u>\$ 437,006</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 127,908	\$ 171,818
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,338	31,118
(Increase) Decrease in accounts and interest receivable	189,178	21,740
(Increase) Decrease in prepaid expenses	(1,121)	1,874
Decrease in grants receivable	-	105,000
Increase (decrease) in accounts payable	28,165	19,819
Increase (decrease) in accrued expenses	119,470	4,074
(Decrease) in deferred revenue	-	(128,808)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 218,492</u>	<u>\$ 488,927</u>

See accompanying notes to financial statements.

EDUCATIONAL AND TRAINING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended June 30, 1987  
 With Comparative Totals for Year Ended June 30, 1986

	Amount	
	1987	1986
Salaries	\$ 418,000	\$ 384,871
Supplies (books)	17,478	24,171
Employee benefits	11,799	7,010
Administrative/professional	1,083	18
Utilities	-	2,043
Financial representation	-	28,878
Cost processing	27	-
Travel/conferences	1,100	-
Administrative expenses	889	87
Food	24,000	-
Food-related expenses	-	-
Insurance - medical & dental	9,900	100
Insurance - liability	4,573	-
Insurance - motor vehicle	5,000	-
Insurance - professional	2,723	-
Insurance - other	7,873	100
Insurance	120	697
Insurance - building mortgage	-	-
Lease, building and miscellaneous housekeeping	2,463	-
Lease equipment - furniture/equipment	-	-
Utilities	603	143
Medical services - routine	6,000	-
Medical supplies	884	-
Other health	5,000	24,100
Office supplies	7,000	7,000
Personal travel (management)	7,000	-
Printing	6,000	100
Postage	6,000	179
Public relations	10,000	-
Publications	4,000	-
Recreation	4,000	-
Rent	6,000	4,000
Building/professional maintenance	10,000	-
Building/professional repairs	4,000	-
Repairs, maintenance equipment	5,000	-
Travel - other	4,000	-
Supplies	4,000	-
Telephone/telegraph	4,000	4,000
Travel and industry relations	-	-
Therapeutic services	603	1,400
Training	174	-
Travel and business expenses	8,100	1,479
Utilities	10,000	-
Miscellaneous	6,224	1,000
Total expenses (before depreciation)	750,000	514,000
Depreciation of buildings and equipment	28,224	2,100
Total expenses	\$ 778,224	\$ 516,100



EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 1987

Note 1. Nature of activity and Summary of significant Accounting Policies

Nature of activities:

Purpose(s):

Educational and Treatment Council, Inc. is a nonprofit corporation organized under the laws of the State of Louisiana for the purpose of serving children, adolescents, families, individuals, and communities within the five-parish area of Southeast Louisiana. Through comprehensive counseling services, crisis services, prevention services, community education and residential services for youth, the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Emergency Shelter for Children (commonly known as Harbor House) is a program of Educational and Treatment Council, Inc. for the purpose of providing shelter and counseling to adolescents and children. The Shelter provides emergency shelter care to children and youth between the ages of 3 and 17 who must either be removed from their homes for reasons of neglect, physical or emotional abuse, and/or who are otherwise homeless due to their status as runaway, status offenders, or children in need of care. Shelter care is defined here as a specialized form of short-term residential care for children including youthful offenders who do not require secure care. Shelter care shall generally be provided for an average period of 30 days. Only in cases of documented emergency shall Shelter care be extended beyond 30 days.

History:

Educational and Treatment Council, Inc. was incorporated in January, 1974 to provide counseling and out-patient drug abuse treatment to adolescents and young adults in Southeast Louisiana. The Agency began developing plans for an emergency shelter for children in 1977. In 1980, with the help of a broad spectrum of the community, ETC obtained five acres of property at Chalmette Air Base from the United States Department of Health and Human Services through the public benefit allotment. The same year the agency also obtained the needed construction funds through a Capital Item Management Grant. The facility was completed, with the exception of furnishings, in 1983. However, as no operational funds were available, the Shelter did not

## NOTES TO FINANCIAL STATEMENTS

open until September, 1988. The monies to open and continue the ongoing services of the Shelter come from a patchwork of services. Locally, on May 8, 1988, the property owners of Wisconsin Parish passed the "Juvenile Detention, Probation and Services Tax" which continues to provide funds for the purchase of Emergency Shelter services. The State Office of Community Services contracts for the care of foster children and children in the custody of Child Protection. On a national level, ETC was awarded a Runaway and Homeless Youth Act Grant in February, 1988 and has been able to maintain this funding source to provide temporary care for runaway and homeless youth.

### Objectives:

The Emergency Shelter For Children Program of ETC is designed to provide emergency shelter for battered and abused children and youth, status offenders and runaways ages three to seventeen. Residents of the shelter average length of stay ranges from 12 to 45 days. The maximum residency is 185 days. Some children come to the Shelter as private placements. Residents of the Shelter are provided the following services: group counseling twice daily, individual counseling as needed, family counseling as needed, educational instruction, enrichment programs and classes in basic living skills, psychological screening and/or evaluation as needed:

1. To alleviate the problems of runaway and homeless youth.
2. To reunite youth and their families.
3. To strengthen family relationships.
4. To help youth decide upon constructive courses of action.

### Significant Accounting Policies:

#### Contributions:

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions.

## NOTES TO FINANCIAL STATEMENTS

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

### Accounting estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### Cash and cash equivalents:

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

### Deferred revenue and restricted contributions:

Deferred revenue and restricted contributions consist of grants and contributions that the Organization has received but those funds have not yet been expended for the purpose specified. Such amounts are recognized as revenue when qualified expenditures are made for the purpose specified.

NOTES TO FINANCIAL STATEMENTS

Property and equipment:

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	35
Equipment, Furniture and Fixtures	5-10
Vehicles	5
Leasehold improvements	15

Advertising costs:

Education Treatment Council, Inc. follows the policy of charging the costs of advertising to expenses as incurred. For the year ended June 30, 1987, advertising expense was \$1,100.

Donated assets and services:

Materials, equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values at the date they are received. No amounts have been reflected in the statements for donated services inasmuch as an objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time to the organization's program services and to its fund-raising activities.

Functional expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 1987 are available for the following purposes or periods:

Harbour House program-art therapy	4 38,881
Maternity claims	<u>1,513</u>
	<u>\$ 40,394</u>

NOTE 2. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits with original maturities of 90 days or less.

Under state law, the Board may deposit funds within a financial agency bank in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Further, the Board may invest in United States bonds, treasury notes, or certificates, time deposits of state banks organized under Louisiana law and national banks, or any other federally insured investment.

As of June 30, 1987, cash balances and classifications of deposits of the Organization were as follows:

	Bank <u>Balance</u>	Book <u>Balance</u>
Demand deposits	\$ 448,082	\$ 444,579
Time deposits-interest bearing	<u>363,162</u>	<u>381,288</u>
	<u>\$ 811,244</u>	<u>\$ 825,867</u>

**NOTES TO FINANCIAL STATEMENTS**

**Note 4. Changes in Fixed Assets**

The schedule below summarizes the results of the changes in fixed assets for the organization:

	Balance 7-1-86	Addition	Adjustment/ Deduction	Balance 6-30-87
<b>Land</b>	\$ 25,000	\$ -	\$ -	\$ 25,000
<b>Buildings</b>	227,277	1,270	-	228,547
<b>Furniture and equipment</b>	324,879	11,278	18,906	317,251
<b> Vehicles</b>	28,541	-	-	28,541
<b> Leasehold improvements</b>	41,000	-	-	41,000
	<u>\$ 626,697</u>	<u>\$ 12,548</u>	<u>\$ 18,906</u>	<u>\$ 658,151</u>
<b>Accumulated depreciation:</b>				
<b>Land</b>	\$ -	\$ -	\$ -	\$ -
<b>Buildings</b>	114,888	18,124	-	133,012
<b>Furniture and equipment</b>	242,860	6,188	24,778	273,826
<b> Vehicles</b>	12,117	5,183	-	17,300
<b> Leasehold improvements</b>	28,555	751	-	29,306
	<u>\$ 428,420</u>	<u>\$ 29,270</u>	<u>\$ 24,778</u>	<u>\$ 482,460</u>
<b>Net</b>				<u>\$ 175,691</u>

Property acquired with Federal and community development grants is considered owned by the Organization while used in the program for which it was purchased or in other future authorized programs; however, the United States and other grantor agencies have reversionary interests in certain property. The disposition as well as the ownership of any proceeds therefrom is subject to government regulations. The total carrying value of property and equipment in which the United States and other grantor agencies have reversionary interests is \$12,184 at June 30, 1987.

**Note 5. Retirement Commitments**

All employees of the Program are members of the Federal Social Security System. The Program contributes 7.6% of gross salaries up to appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Sick and Vacation Pay

The first six months of employment are considered a probationary period during which time sick and vacation leave accrues at one day per month worked for each. No sick or vacation leave may be taken during the probationary period. Any days missed during this period are treated as noncompensatory leaves. Termination of service with the Agency during this period results in forfeiture of all accrued sick and vacation leave.

At the beginning of employment, full time employees begin accruing sick leave at the rate of 1 day per month. This accrual of sick leave shall continue until the employee has accrued a maximum of 30 days sick leave. After this maximum has been achieved, no further sick leave shall be accrued until the balance is reduced below 10 days. Any employee terminating agency service shall not be compensated in any form for any unused accrued sick leave. Therefore, no liability has been accrued for these benefits.

At the beginning of employment, full time employees begin accruing annual leave at the rate of 1 day per month up to twelve (12) days annual leave each year of employment. After three years of service, the annual leave increases one day for each additional year of service up to a maximum of twenty (20) days per year.

Filed on June 10, 1994, vacation benefits could be accumulated for a maximum of two years or up to a maximum of (24) days. The balance of accumulated annual leave days as June 30, 1994 has been frozen and all employees were requested to use the accumulated annual leave days they had earned by December 31, 1994. Employees with any annual leave days not used due to staffing shortages and the necessities of program continuation, the deadline was extended based upon individual position requirements as December 31, 1994 would be compensated at their then current pay scale. The dollar value of accrued annual leave as June 30, 1997 amounted to \$8,000.

Beginning July 1, 1994, accrued leave continued to accrue under the same terms as prior to July 1, 1994. Any unused annual leave as June 30<sup>th</sup> of each year shall be reduced to zero subject to the aforementioned exception. There shall be no carryover of annual leave beyond the end of the Agency fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. Juvenile Services Fee

On May 5, 1984, the property owners of Calcasieu Parish passed the Juvenile Detention, Protection and Services Fee. The Juvenile Services fee was approved by voters for 2.4 mills. The Calcasieu Parish Police Jury shall pay as much as ad valorem taxes are received by the Calcasieu Parish Police Jury & non equal to the stated contract amount. For and in consideration of the payment of the foregoing lease sum, Education and Treatment Council, Inc. shall provide juvenile services without further cost to the Court or the Calcasieu Parish Police Jury for emergency shelter to children as described in the purpose above.

Amounts paid under the contract are:

1987	<u>\$ 181,840</u>
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NOTE 8. Private Placements

Residents of the Emergency Shelter for Children may be referred by private sources in addition to residences eligible for the state and federal grants and those referred by the courts. Counselors, attorneys, insurance companies and other concerned citizens may request placement of children they feel are in at-risk situations. The responsible parties are billed for these placements based on the number of days the child stays. Revenue from private placements for the year ended June 30, 1987 was \$3,000.

NOTE 9. Support From Governmental Units

The Organization receives a substantial amount of its support from the Federal government, the state of Louisiana and local governments in Calcasieu Parish. A significant reduction in the level of this support, if this were to occur, could have a significant effect on the Organization's programs and activities.

NOTE 10. Concentration of Credit Risk

Education Treatment Council, Inc. maintains a portion of its cash balances in several financial institutions located in the City of Lake Charles. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. In addition, accounts are maintained with Merrill Lynch Pierce Fenner & Smith, Inc. and E. G. Edwards and Sons, Inc. Investments \$100k. Time deposits purchased through these investment accounts may be insured by the FDIC, FDIC or private insurers. Balances at June 30, 1987 held at these investment firms amounted to \$488,760.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. Disclosures About Fair Value of Financial Instruments

Cash and cash equivalents, accounts and interest receivable:

The fair value approximated carrying value at June 30, 1997 because of the short maturity of these instruments.

NOTE 13. Letter of Credit

On May 8, 1997, Education and Treatment Council, Inc. entered into an agreement with the First National Bank of Lake Charles to obtain a stand-by letter of credit and security agreement. The letter of credit is secured by assignment of a certificate of deposit with the First National Bank of Lake Charles in an amount not less than \$75,000. The letter of credit becomes active on July 1, 1997 and expires on June 30, 1999 and is available in an amount not to exceed \$15,000.

NOTE 13. Litigation

In February, 1995 a lawsuit was filed against Education Treatment Council, Inc. and their professional liability insurer, American Home Insurance Company. The suit alleges assault and battery of a child played in a facility operated by Education Treatment Council, Inc. The suit was settled out of court for an undisclosed sum with the insurer.

In April, 1997, a lawsuit was filed against the State of Louisiana through the Department of Social Services and Educational and Treatment Council, Inc. The suit alleges various acts and/or omissions. The plaintiff is suing for an undisclosed sum and management is unable to reasonably estimate the amount of liability which may be incurred, however, any potential loss is expected to be covered by insurance.

NOTE 14. Comparative Amounts

The amounts shown for 1996 in the accompanying financial statements are included to provide a basis for comparison with 1997 and are not intended to present all information necessary for a fair presentation of the 1996 financial statements in conformity with generally accepted accounting principles.

EDUCATION AND TREATMENT COUNCIL, INC.

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
Year Ended June 30, 1987

EDUC. TITLE	FY87 BUDGET	Fund Number	FY87 PROGRAM BAL.	Federal Assistance	Program Revenues
U.S. Department of Health and Human Services:					
Direct grants:					
Runaway Youth Act Program	21,420	00000000	771,790-4130/87	0	0
Drug Abuse Prevention Program	21,420	00000000	771,790-4130/87	70,000	50,420
Indirect assistance:					
State of Louisiana Department of Health and Hospitals:					
Office of Mental Health	21,000	00000000	771,790-4130/87	110,000	110,000
Office of Alcohol and Drug Abuse Prevention Community Mobilization (PC040)	21,000	00000000	771,790-4130/87	0	0
Comp Use Evaluation	21,000	00000000	771,790-4130/87	110,000	110,000
DEPTOCH:					
Klien Parish Health Facilities Project	10,000	00700	771,790-4130/87	10,000	10,000
Klien Parish Income Maintenance Program	10,000	00700	771,790-4130/87	10,000	10,000
U.S. Department of Agriculture:					
Rural Growth Louisiana Department of Education:					
National Alcohol Youth Program	10,000		771,790-4130/87	10,000	10,000
				110,000	110,000
Total grants				2,110,000	2,110,420

# McELROY, QUINN & BURCH

LA PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
SOCIETY OF CHARTERED  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
LAAS (LEGAL ACCOUNTANTS)  
SOCIETY

MEMBER  
FEDERATION OF  
PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN ASSESSMENT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Educational and Treatment Council, Inc.  
Lake Charles, Louisiana

We have audited the financial statements of the Educational and Treatment Council, Inc. as of and for the year ended June 30, 1997, and have issued our report thereon dated December 3, 1997. We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Educational and Treatment Council, Inc. (a nonprofit corporation) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Educational and Treatment Council, Inc.'s (a nonprofit corporation) internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over

Financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We also noted other matters involving internal control and its operation that we have reported to the Board in our Schedule of Management Comments and Suggestions. Additionally, the status of our prior year audit findings are detailed in our Summary Schedule of Prior Year Audit Findings.

This report is intended for the information of the Board of Directors, management and other state and federal audit agencies. However, this report is a matter of public record and its distribution is not limited.

*McClary Jones & Beach*  
John Charbon, Louisiana  
December 1, 1997

# MCELROY, QUIRK & BURCH

LA PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF NATIONAL  
CERTIFIED PUBLIC ACCOUNTANTS

1115 BIRMGHAM  
LAKE CHARLES, LOUISIANA  
70601-4001

MEMBER FINANCIAL  
TECHNOLOGY EDUCATION BOARD  
FACULTY MEMBER

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH ONE CIRCULAR A-113

Board of Directors  
Educational and Treatment Council, Inc.  
Lake Charles, Louisiana

### Compliance

We have audited the compliance of Educational and Treatment Council, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-113 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1997. Compliance with the requirements of laws, regulations, contracts and grants is the responsibility of Educational and Treatment Council, Inc.'s management. Our responsibility is to express an opinion on Educational and Treatment Council, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-113, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-113 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Educational and Treatment Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Educational and Treatment Council, Inc.'s compliance with those requirements.

In our opinion, Educational and Treatment Council, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1967.

#### Internal Control Over Compliance

The management of Educational and Treatment Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Educational and Treatment Council, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We also noted other matters involving internal control and its operation that we have reported to the Board in our schedule of Management Comments and Suggestions. Additionally, the status of our prior year audit findings are detailed in our Summary Schedule of Prior Year Audit Findings.

This report is intended for the information of the Board of Directors, management and other state and federal audit agencies. However, this report is a matter of public record and its distribution is not limited.



M. Edgar Parker, Jr.  
State Chartered, Louisiana  
December 1, 1967

EDUCATIONAL AND TREATMENT CENTER, INC.

SCHEDULE OF MANAGEMENT CONCEPTS AND RECOMMENDATIONS

June 18, 1987

GENERAL LEDGER MAINTENANCE - PP-1

During the course of our study, we experienced difficulties with the output from agency's accounting system. We noted inconsistencies in obtaining standard periodic reports from the general ledger which provide "point in time" information which is not obtainable at later periods. Continuity of the flow of information was not readily verifiable as there were problems with the computer software during the year. The accounting staff's workload was also affected by a member's absence of approximately two months.

There should exist a standard method of processing transactions, reviewing, printing selected reports and backing up the data. It appears that consistent procedures are hampered by demands on the accounting personnel which preempt the processing, review and maintenance of necessary accounting data.

It is our recommendation that management consider providing additional training and support regarding the use of the general ledger accounting system. An update on the features and upgrades to the software along with a refresher course on available options should be of great benefit. Secondly, standard procedures for data processing and report generation should be created. The output should be reviewed and adjusted as necessary as soon as possible.

Emphasis should be placed on the correctness and completeness of the general ledger system as all information should reconcile to this control. All other report forecasts and references should have relevance to this central data.

EDUCATIONAL AND TREATMENT COUNCIL, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT RECOMMENDATIONS  
JUNE 30, 1997

GENERAL - TIME CARDS/REPORTS #24-1 AND #24-2, PAGE 2

• Action response:

The ending date of the pay period is being entered on each time card. The supervisor is completing the pay data on the payroll "time sheets".

GENERAL - FIXED ASSET DETAIL SCHEDULE #24-3, PAGE 2

• Action response:

Responsible parties are taking current inventory of property on hand to verify the inclusion of assets on the depreciation schedule.

GENERAL - USE OF MANUAL CHECKS #24-4, PAGE 2

• Action response:

Manual checks are being eliminated and computer checks are used if it is necessary to complete a check manually.

GENERAL - EXPENSE DOCUMENTATION #24-5, PAGE 2

• Action response:

Ending machine tapes are being attached to travel reimbursement reports to prove totals.

GENERAL - INVOICE FILING METHOD #24-6, PAGE 2

• Action response:

Invoices are being filed by vendor.