

VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC. AND
HUMAN SERVICES OF GREATER
BATON ROUGE, INC.

JUNE 30, 2018

BATON ROUGE, LOUISIANA

TABLE OF CONTENTS

Audited Financial Statements:

Independent Auditor's Report	Page 1 - 3
Consolidating Statement of Financial Position	4
Consolidating Statement of Activities	5 - 6
Consolidating Statement of Functional Expenses	7
Consolidating Statement of Cash Flows	8
Notes to Consolidating Financial Statements	9 - 21

Supplementary Information:

Statement of Activities for Special Programs	22
Schedule of Expenditures of Federal Awards	23 - 24
Notes to Schedule of Expenditures of Federal Awards	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	26 - 27
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	28 - 29
Schedule of Findings and Questioned Costs	30 - 32
Summary Schedule of Prior Audit Findings	33



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Independent Auditor's Report

Board of Directors
Volunteers of America, Greater Baton Rouge, Inc. and
Human Services of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of Volunteers of America, Greater Baton Rouge, Inc. and Human Services of Greater Baton Rouge, Inc., (Nonprofit Organizations) which comprise the Consolidating Statement of Financial Position as of June 30, 2018, and the related Consolidating Statement of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America, Greater Baton Rouge, Inc. and Human Services of Greater Baton Rouge, Inc., as of June 30, 2018, and the changes in their net assets and their cash flows for the year 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 consolidating financial statements as a whole. The accompanying Statement of Activities for Special Programs and Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the consolidating financial statements. The Schedule of Expenditures of Federal Awards is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating 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 consolidating financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Volunteers of America, Greater Baton Rouge, Inc. and Human Services of Greater Baton Rouge, Inc.'s 2017 consolidating financial statements, and our report dated October 20, 2017, expressed an unmodified opinion on those audited consolidating financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
December 12, 2018

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC. AND
HUMAN SERVICES OF GREATER BATON ROUGE, INC.**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

<u>ASSETS</u>	Volunteers of America, Greater Baton Rouge, Inc.	Human Services of Greater Baton Rouge, Inc.	Eliminations	2018 Consolidated Totals	2017 Consolidated Totals
Current Assets:					
Cash	\$ 14,838	\$ 49,764	\$ -	\$ 64,602	\$ 56,920
Accounts Receivable Less Allowance of \$159,972	2,791,990	35,274	(35,274)	2,791,990	2,533,588
Pledges Receivable, Net	99,658	-	-	99,658	149,287
Prepaid Expenses	16,171	2,287	-	18,458	29,163
Total Current Assets	2,922,657	87,325	(35,274)	2,974,708	2,768,958
Land, Buildings and Equipment, at Cost Less Accumulated Depreciation of \$3,358,936	1,732,067	503,152	-	2,235,219	2,650,321
Investments	809,912	-	-	809,912	747,219
Other Assets	139,917	-	-	139,917	143,612
Total Assets	<u>\$ 5,604,553</u>	<u>\$ 590,477</u>	<u>\$ (35,274)</u>	<u>\$ 6,159,756</u>	<u>\$ 6,310,110</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities:					
Excess Outstanding Checks in Excess of Bank Balance	\$ 179,101	\$ -	\$ -	\$ 179,101	\$ 155,840
Accounts Payable	227,625	-	(35,274)	192,351	164,661
Accrued Expenses	625,946	-	-	625,946	694,818
Lines of Credit	892,377	-	-	892,377	992,924
Other Liabilities	273,582	5,347	-	278,929	266,937
Current Portion of Long-Term Debt	62,979	17,483	-	80,462	100,008
Total Current Liabilities	2,261,610	22,830	(35,274)	2,249,166	2,375,188
Long-Term Liabilities:					
Long-Term Debt	432,630	140,742	-	573,372	649,869
Net Assets:					
Unrestricted	2,353,690	396,905	-	2,750,595	2,745,310
Temporarily Restricted	176,968	30,000	-	206,968	182,055
Permanently Restricted	379,655	-	-	379,655	357,688
Total Net Assets	2,910,313	426,905	-	3,337,218	3,285,053
Total Liabilities and Net Assets	<u>\$ 5,604,553</u>	<u>\$ 590,477</u>	<u>\$ (35,274)</u>	<u>\$ 6,159,756</u>	<u>\$ 6,310,110</u>

The accompanying notes are an integral part of this statement.

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC. AND
HUMAN SERVICES OF GREATER BATON ROUGE, INC.**

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Volunteers of America, Greater Baton Rouge, Inc.			Human Services of Greater Baton Rouge, Inc.			Eliminations	2018 Consolidated Totals	2017 Consolidated Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted			
Revenues from Operations:									
Public Support Received Directly:									
Contributions	\$ 792,612	\$ -	\$ 21,967	\$ 814,579	\$ -	\$ -	\$ -	\$ 814,579	\$ 896,582
Contributions, In-Kind	599,383	-	-	599,383	-	-	-	599,383	1,372,084
Public Support Received Indirectly:									
United Way	375,700	-	-	375,700	-	-	-	375,700	355,500
Total Public Support	1,767,695	-	21,967	1,789,662	-	-	-	1,789,662	2,624,166
Revenue and Grants from Governmental Agencies	15,050,236	-	-	15,050,236	-	-	-	15,050,236	14,875,387
Other Revenue:									
Program Service Fees	560,094	-	-	560,094	-	-	-	560,094	465,951
Rental Income	2,239	-	-	2,239	159,632	-	159,632	161,871	179,135
Miscellaneous	219,780	-	-	219,780	-	-	-	219,780	218,791
Total Other Revenue	782,113	-	-	782,113	159,632	-	159,632	941,745	863,877
Total Revenues from Operations	17,600,044	-	21,967	17,622,011	159,632	-	159,632	17,781,643	18,363,430
Operating Expenses:									
Encouraging Positive Development	2,938,674	-	-	2,938,674	-	-	-	2,938,674	2,967,571
Fostering Independence	8,923,562	-	-	8,923,562	-	-	-	8,923,562	9,487,229
Promoting Self-Sufficiency	2,870,816	-	-	2,870,816	131,224	-	131,224	3,002,040	3,164,081
Total Program Services	14,733,052	-	-	14,733,052	131,224	-	131,224	14,864,276	15,618,881
Management and General	2,706,136	-	-	2,706,136	20,085	-	20,085	2,726,221	2,409,941
Fund Raising	280,509	-	-	280,509	-	-	-	280,509	248,739
Total Supporting Services	2,986,645	-	-	2,986,645	20,085	-	20,085	3,006,730	2,658,680
Administrative Fees Paid to National Organization	329,705	-	-	329,705	-	-	-	329,705	321,514
Total Operating Expenses	18,049,402	-	-	18,049,402	151,309	-	151,309	18,200,711	18,599,075
Excess (Deficit) from Operations	(449,358)	-	21,967	(427,391)	8,323	-	8,323	(419,068)	(235,645)

(CONTINUED)

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC. AND
HUMAN SERVICES OF GREATER BATON ROUGE, INC.**

CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Volunteers of America, Greater Baton Rouge, Inc.			Human Services of Greater Baton Rouge, Inc.			Eliminations	2018 Consolidated Totals	2017 Consolidated Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted				Total
Non-Operating Gains (Losses) and Other Income:										
Interest Income (Net of Expenses of \$3,952)	7,454	10,552	-	18,006	24	-	24	-	18,030	14,975
Gain on Sale of Assets	200,000	-	-	200,000	230,178	-	230,178	-	430,178	2,372
Net Realized and Unrealized Gains (Losses)	8,664	14,361	-	23,025	-	-	-	-	23,025	42,437
Excess (Deficit) from Other Activities	216,118	24,913	-	241,031	230,202	-	230,202	-	471,233	59,784
Change in Net Assets	(233,240)	24,913	21,967	(186,360)	238,525	-	238,525	-	52,165	(175,861)
Net Assets - Beginning of Year	2,188,040	152,055	357,688	2,697,783	557,270	30,000	587,270	-	3,285,053	3,460,914
Net Asset Transfer, Proceeds from Sale of Assets	398,890	-	-	398,890	(398,890)	-	(398,890)	-	-	-
Net Assets - End of Year	\$ 2,353,690	\$ 176,968	\$ 379,655	\$ 2,910,313	\$ 396,905	\$ 30,000	\$ 426,905	\$ -	\$ 3,337,218	\$ 3,285,053

The accompanying notes are an integral part of this statement.

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC. AND
HUMAN SERVICES OF GREATER BATON ROUGE, INC.**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Volunteers of America, Greater Baton Rouge, Inc.							Human Services of Greater Baton Rouge, Inc.					2018 Consolidated Total	2017 Consolidated Total
	Program Services				Supporting Services			Total Program and Supporting Services Expenses	Program Services	Supporting Services	Total Program and Supporting Expenses			
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total	Management and General	Fund Raising	Total		Promoting Self- Sufficiency	Management and General				
Salaries	\$ 1,513,745	\$ 5,413,099	\$ 1,362,509	\$ 8,289,353	\$ 1,439,769	\$ 129,861	\$ 1,569,630	\$ 9,858,983	\$ -	\$ -	\$ -	\$ 9,858,983	\$10,003,541	
Pension	10,499	33,594	3,899	47,992	98,813	2,400	101,213	149,205	-	-	-	149,205	155,092	
Employee Benefits	105,141	329,253	99,373	533,767	62,810	1,062	63,872	597,639	-	-	-	597,639	623,077	
Payroll Taxes	102,796	375,862	94,676	573,334	63,015	9,862	72,877	646,211	-	-	-	646,211	672,422	
Legal Fees	87	30	-	117	1,386	-	1,386	1,503	257	-	257	1,760	8,709	
Accounting Fees	-	-	-	-	54,000	-	54,000	54,000	-	4,805	4,805	58,805	50,558	
Other Professional Fees	365,520	375,625	62,496	803,641	421,153	59,348	480,501	1,284,142	-	-	-	1,284,142	1,014,684	
Supplies and Expenses	43,113	165,359	18,783	227,255	64,932	28,818	93,750	321,005	-	-	-	321,005	375,739	
Telecommunications	22,855	69,883	28,743	121,481	29,813	320	30,133	151,614	-	-	-	151,614	177,813	
Postage	468	2,538	3,016	6,022	3,863	440	4,303	10,325	-	-	-	10,325	13,503	
Occupancy Expenses	126,956	347,238	82,345	556,539	64,251	37,193	101,444	657,983	57,177	15,280	72,457	730,440	672,865	
Interest	322	8,850	956	10,128	81,322	-	81,322	91,450	265	-	265	91,715	86,024	
Insurance	19,380	108,284	34,944	162,608	97,702	-	97,702	260,310	2,001	-	2,001	262,311	270,422	
Equipment Rental and Maintenance	23,895	80,617	16,444	120,956	35,089	1,139	36,228	157,184	924	-	924	158,108	147,439	
Printing and Publications	1,517	496	241	2,254	7,803	2,057	9,860	12,114	-	-	-	12,114	21,257	
Travel and Transportation	81,955	207,656	28,179	317,790	22,758	1,490	24,248	342,038	-	-	-	342,038	434,205	
Conferences and Meetings	11,784	9,307	5,170	26,261	21,399	1,074	22,473	48,734	-	-	-	48,734	51,873	
Specific Assistance to Individuals	378,058	1,302,045	946,035	2,626,138	-	-	-	2,626,138	-	-	-	2,626,138	3,167,021	
Other	77,972	58,298	68,768	205,038	-	4,767	4,767	209,805	19	-	19	209,824	99,308	
Depreciation and Amortization	52,611	35,528	14,239	102,378	136,258	678	136,936	239,314	70,581	-	70,581	309,895	232,009	
Total Functional Expenses	\$ 2,938,674	\$ 8,923,562	\$ 2,870,816	\$ 14,733,052	\$ 2,706,136	\$ 280,509	\$ 2,986,645	\$ 17,719,697	\$ 131,224	\$ 20,085	\$ 151,309	\$ 17,871,006	\$18,277,561	
Administrative Fee Paid To National Organization								329,705				329,705	321,514	
Total Expenses								\$ 18,049,402				\$ 18,200,711	\$18,599,075	

The accompanying notes are an integral part of this statement.

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC. AND
HUMAN SERVICES OF GREATER BATON ROUGE, INC.**

CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR 2017

	Volunteers of America, Greater Baton Rouge, Inc.	Human Services of Greater Baton Rouge, Inc.	Eliminations	2018 Consolidated Totals	2017 Consolidated Totals
Cash Flows From Operating Activities:					
Change in Net Assets	\$ (186,360)	\$ 238,525	\$ -	\$ 52,165	\$ (175,861)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:					
Transfer of Net Assets	398,890	(398,890)	-	-	-
Depreciation	239,314	70,581	-	309,895	232,009
Net Unrealized (Gain) Loss on Long-Term Investment	(23,025)	-	-	(23,025)	(42,437)
(Gain) Loss on Sale of Assets	(200,000)	(230,178)	-	(430,178)	(2,372)
Provision for Bad Debts	180,585	-	-	180,585	45,044
Changes in Current Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(437,947)	(35,274)	34,234	(438,987)	(221,304)
(Increase) Decrease in Pledges Receivable	49,629	-	-	49,629	29,154
(Increase) Decrease in Other Assets	3,695	-	-	3,695	(11,993)
(Increase) Decrease in Prepaid Expenses	10,705	-	-	10,705	(22,539)
Increase (Decrease) in Accounts Payable	62,964	(1,040)	(34,234)	27,690	28,607
Increase (Decrease) in Other Liabilities	10,535	1,457	-	11,992	61,646
Increase (Decrease) in Accrued Expenses	(68,872)	-	-	(68,872)	37,950
Net Cash Provided by (Used in) Operating Activities	40,113	(354,819)	-	(314,706)	(42,096)
Cash Flows From Investing Activities:					
Purchases of Fixed Assets	(56,827)	(7,500)	-	(64,327)	(218,188)
Proceeds From Sale of Assets	200,000	399,712	-	599,712	8,802
Purchases of Investments	(39,668)	-	-	(39,668)	(55,301)
Net Cash Provided by (Used in) Investing Activities	103,505	392,212	-	495,717	(264,687)
Cash Flows From Financing Activities:					
Repayment of Notes Payable	(62,540)	(33,503)	-	(96,043)	(114,898)
Net Draws (Repayments) on Lines of Credit	(100,547)	-	-	(100,547)	486,302
Increase (Decrease) in Excess Outstanding Checks Over Bank Balance	23,261	-	-	23,261	(93,543)
Net Cash Provided by (Used In) Financing Activities	(139,826)	(33,503)	-	(173,329)	277,861
Net Increase (Decrease) in Cash and Cash Equivalents	3,792	3,890	-	7,682	(28,922)
Cash and Cash Equivalents - Beginning of Year	11,046	45,874	-	56,920	85,842
Cash and Cash Equivalents - End of Year	\$ 14,838	\$ 49,764	\$ -	\$ 64,602	\$ 56,920
Supplemental Disclosure of Cash Flow Information:					
Cash Payments for Interest	\$ 94,440	\$ 265	\$ -	\$ 94,705	\$ 84,666

The accompanying notes are an integral part of this statement.

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.
AND HUMAN SERVICES OF GREATER BATON ROUGE, INC.**

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies -

Organization

Volunteers of America, Greater Baton Rouge, Inc. ('the Organization') is a nonprofit spiritually based human services organization, recognized as a church, incorporated in the State of Louisiana that provides social services within the Greater Baton Rouge and Southwest Louisiana areas under a charter from Volunteers of America, Inc., a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement. Human Services of Greater Baton Rouge, Inc. ('the Organization') is a nonprofit organization incorporated in the State of Louisiana which operates as a property holding corporation for Volunteers of America, Greater Baton Rouge, Inc. The following is a list of the Impact Areas and the program services provided in each:

Encouraging Positive Development

Volunteers of America, Greater Baton Rouge, Inc. provides services to encourage positive development for troubled and at-risk children and youth, while also promoting the healthy development of all children, adolescents, and their families. Our programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, crisis intervention, and long-term services. This affiliate provides children and youth services.

Fostering Independence

Volunteers of America, Greater Baton Rouge, Inc. fosters the health and independence of the elderly and persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, health care services, and a wide range of community services. This affiliate provides disability, elderly, health care, housing and mental health services.

Promoting Self-sufficiency

Volunteers of America, Greater Baton Rouge, Inc. promote self-sufficiency for individuals and families who have experienced homelessness, or other personal crisis, including chemical dependency, involvement with the corrections system and unemployment. We focus on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support. This affiliate provides community enhancement, correctional, health care, homeless and housing services.

Operations

The Organizations define operations as all program and supporting service activities undertaken as described above. Revenues that result from these activities, and their related expenses, are reported as

operations. Gains, losses and other revenue that results from ancillary activities, such as investing liquid assets and disposing of fixed or other assets, are reported as non-operating.

Principles of Consolidation

The financial statements include the consolidated accounts of Volunteers of America, Greater Baton Rouge, Inc. and the related organization, Human Services of Greater Baton Rouge, Inc.

Accounting principles generally accepted in the United States of America require consolidation of all entities that an Organization has both control over and an economic interest in. Volunteers of America, Greater Baton Rouge, Inc. effectively controls the other organization's board of directors, and distributions made by the other organization are for the benefit of Volunteers of America, Greater Baton Rouge, Inc.

Basis of Accounting

The accounting policies of the Organizations conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The financial statements of the Organizations are prepared under the accrual method of accounting. The Organizations classify their net assets, its revenues and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Amounts for each of the three classes of net assets (permanently restricted, temporarily restricted, and unrestricted) are displayed in a statement of financial position and the amounts of change in each of the three classes of net assets are displayed in a statement of activities.

Allowances for Collection Losses

The allowance for collection losses are maintained at levels which are adequate to absorb reasonable foreseeable losses based on management's evaluation of outstanding balances and current economic conditions. The accounts receivable allowance was \$159,972 at June 30, 2018.

Property and Equipment

Land, buildings and equipment purchased by the Organizations are recorded at cost. The Organizations follow the practice of capitalizing all expenditures for land, buildings, and equipment over \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method based upon the estimated useful lives of the assets.

The Organizations expense purchases of property bought with funds from cost reimbursement grants from various State and Federal agencies. Special provisions contained in the State contracts specify that ownership of all property purchased shall revert back to the grantor after a specified term or under certain conditions pursuant to the contractual agreement.

Cash Equivalents

Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

Investments

Investments in all debt and equity securities with readily determinable fair values are reported at their fair value. All other investments are reported at historical cost, if purchased, or, if contributed, at fair value at the date of contribution. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities accounts will occur in the near term and those changes could materially affect the amounts reported in the Consolidating Statement of Financial Position.

Contributions

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Volunteers of America, Greater Baton Rouge, Inc. uses the allowance method to determine uncollectible promises for unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Restricted and Designated Assets

Restricted and designated assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, and board designation or are otherwise unavailable for the general use of the Organizations. This category generally includes client/custodial funds, escrow/reserve funds, temporarily and permanently restricted assets, and securities that are pledged and held by the lender as collateral for financing.

Net Assets

The Organizations classify net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently

restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Contributed Services and Materials

The Organizations recognize contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2018, the value of contributed services meeting the requirements for recognition in the financial statements was recorded.

Donated materials and supplies are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt.

Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the Consolidating Statement of Activities. Accordingly, certain costs have been allocated among the various functions based on the recording of expenses to individual cost centers assigned to each functional expense category.

Summary Financial Information for 2017

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organizations' consolidating financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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 the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Federal Income Taxes

Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Louisiana, Volunteers of America, Greater Baton Rouge, Inc. and Human Services of Greater Baton Rouge, Inc. are exempt from income taxes, except for net income from unrelated business income, as subordinate units of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities in 2018. Accordingly, no tax expense was incurred during the year ended June 30, 2018.

Volunteers of America, Inc. files an income tax return which includes the Organizations listed above in the U.S. federal jurisdiction. With few exceptions, the Organizations are no longer subject to federal tax examinations by tax authorities for years before 2014. Any interest and penalties assessed by

income taxing authorities are not significant and are included in general and administrative expenses in these financial statements, if applicable.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organizations may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2018.

Note 2 - Investments -

The cost and estimated fair value including gross unrealized gains and losses of Volunteers of America, Greater Baton Rouge, Inc.'s investments at June 30, 2018 were as follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Mutual Funds	\$ 608,206	\$ 201,706	\$ -	\$ 809,912

Included in the caption “Net Realized and Unrealized Gains (Losses)” on the Consolidating Statement of Activities is the net increase in unrealized gains at June 30, 2018 of \$23,025.

Note 3 - Fair Value Measurements -

The fair value measurement accounting literature provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels. Level 1 inputs to the valuation methodology are based on unadjusted quoted prices for identical assets in active markets that the Organizations have the ability to access. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets and/or based on inputs that are derived principally from or corroborated by observable market data. Level 3 inputs are unobservable and are based on assumptions market participants would utilize in pricing the assets.

The Organizations use appropriate valuation techniques based on the available inputs to measure the fair value of these investments. The asset’s fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When available, valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organizations’ investments are reported at fair value in the accompanying consolidating statement of financial position. The methods used to measure fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organizations believe its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The investments in mutual funds represent various specific investments and various pools of funds held by BRAF for the benefit of Volunteers of America, Greater Baton Rouge, Inc. and other non-profit

organizations. These funds are valued at the fair value of the underlying securities which are primarily determined from closing prices reported on the active market.

The following table sets forth by level, within the fair value hierarchy, Volunteers of America, Greater Baton Rouge, Inc.'s assets at fair value as of June 30, 2018 which are measured on a recurring basis:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ -	\$ 809,912	\$ -	\$ 809,912

Note 4 - Concentration of Credit Risk -

Included in receivables are amounts due for program services provided to various agencies of the State of Louisiana and grant funds due from federal and state agencies. Allowances are provided for amounts estimated by management as uncollectible.

At various times during the year, cash on deposit with one banking institution may exceed the maximum amount insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash to minimize this potential risk.

Note 5 - Unconditional Promises to Give -

The Organization has the "Family Fund" fundraising campaign whereby interest earnings can be used for various programs as stipulated by the donors.

The Organization has the Celebration for Change Campaign whereby pledges received under the campaigns are unrestricted.

Unconditional promises to give are as follows:

	<u>Volunteers of America, Greater Baton Rouge, Inc.</u>
Receivables Due in Less Than One Year	\$ 139,240
Receivables Due in One to Five Years	<u>100,595</u>
Total Unconditional Promises to Give	239,835
Less: Allowance for Uncollectible Amounts	(8,000)
Less: Discount to Present Value	<u>(31,582)</u>
Net Unconditional Promises to Give at June 30, 2018	<u>\$ 200,253</u>

The long-term portions of the pledge receivables are included in Other Assets on the Consolidating Statement of Financial Position.

Note 6 - Related Parties -

The Organization is affiliated with Volunteers of America, Inc. which provides administrative services to the Organization for a fee. Affiliate fees for the fiscal year ended June 30, 2018 totaled \$329,705. The Organization also participates in the direct mail and scholastic book campaign sponsored by Volunteers of America, Inc. The Organization obtained a line of credit from Volunteers of America, Inc. during the current year as discussed in Note 9.

Human Services of Greater Baton Rouge, Inc. has recorded land, buildings, and leasehold improvements of the Harry Drive, Garfield, MidCity and River Oaks properties in its financial statements. At June 30, 2018, Volunteers of America, Greater Baton Rouge, Inc. owes a net amount of \$35,274 to Human Services of Greater Baton Rouge, Inc. See Note 16 for details of a transfer of net assets in 2017 from Human Services of Greater Baton Rouge, Inc. to Volunteers of America, Greater Baton Rouge, Inc. The amounts have been eliminated in these consolidating financial statements.

Furthermore, Volunteers of America, Greater Baton Rouge, Inc. acts as a management agent for various U.S. Department of Housing and Urban Development (HUD) housing complexes. The following is a listing of those entities with amounts due to or (from) Volunteers of America, Greater Baton Rouge, Inc. as of June 30, 2018:

Baton Rouge Residential Center, Inc.	\$ 7,761
Oberlin VOA Living Center, Inc.	5,826
Lake Charles Living Center, Inc.	24,244
Baton Rouge VOA Living Centers, Inc.	4,150
New Roads VOA Living Center, Inc.	720
Oak Park Plaza, Inc.	43,600
Dumas House Corporation	4,806
Elton VOA Living Center, Inc.	<u>(1,628)</u>
	<u>\$ 89,479</u>

The amounts listed above are included in accounts receivable as reflected in these consolidating financial statements.

Note 7 - Endowment Funds -

A version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) was adopted by the State of Louisiana on July 1, 2010. The new law updated the fundamental investment principles contained in the prior law (UMIFA), by providing standards to establish investment policies in a prudent manner by establishing a duty to minimize cost, diversify the investments, investigate facts relevant to the investment of the fund, consider tax consequences of investment decisions and to ensure that investment decision be made in light of the fund's entire portfolio as a part of an investment strategy having risk and return objectives reasonably suited to the fund and to the organization. UPMIFA also permits the Organization to accumulate for expenditure so much of an endowment fund as the Organization determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established, thereby eliminating the restriction that a fund could not be spent below its historical dollar value. Seven criteria are to be used to guide the Organization in its yearly expenditure decisions:

- (1) duration and preservation of the endowment funds,
- (2) the purposes of the Organization and the endowment funds,
- (3) general economic conditions,
- (4) effect of inflation or deflation,
- (5) the expected total return from income and the appreciation of investments,
- (6) other resources of the Organization, and
- (7) the investment policy of the Organization.

Volunteers of America, Greater Baton Rouge, Inc. has followed the policy of investing its endowment funds in mutual funds. As required by generally accepted accounting principles, and in accordance with the terms of the fund agreements, these endowment funds and the net appreciation (depreciation) of these funds are recorded as permanently restricted net assets in these financial statements. The historical cost of the net assets associated with the endowment funds will be preserved, and any remaining net depreciation that is not classified in permanently restricted net assets is classified as temporarily restricted or unrestricted net assets.

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Donor Restricted Endowment Funds	\$ 29,468	\$ 61,249	\$ 379,655	\$ 470,372

Changes in endowment net assets for the year ended June 30, 2018 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment Net Assets, Beginning of Year	\$ 29,468	\$ 36,335	\$ 357,688	\$ 423,491
Investment Income	-	10,553	-	10,553
Appreciation of Investments, Net	-	14,361	-	14,361
Contributions (Distributions)	-	-	21,967	21,967
Endowment Net Assets, End of Year	\$ 29,468	\$ 61,249	\$ 379,655	\$ 470,372

Note 8 - Notes Payable -

Notes Payable of Volunteers of America, Greater Baton Rouge, Inc. are detailed as follows:

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note dated April 14, 2011 with an original principal balance of \$150,000 payable in 180 monthly installments of \$1,247 which includes interest at a rate of 5.65%. The note is collateralized by land and building on Wooddale Boulevard.	\$ 9,940	\$ 83,370
Note dated April 14, 2011 with an original principal balance of \$608,975 payable in 180 monthly installments of \$5,061 which includes interest at a rate of 5.65%. The note is collateralized by land and building on North Boulevard.	40,356	342,432
Note dated February 20, 2015 with an original principal balance of \$36,530 payable in 60 monthly installments of \$701 which includes interest at a rate of 5.50%. The note is collateralized by a 2015 Ford Van.	7,794	6,828
Note dated August 15, 2013 with an original principal balance of \$27,033 payable in 60 monthly installments of \$519 which includes interest at a rate of 5.50%. The note is collateralized by a 2012 Ford van.	1,539	-
Note dated December 10, 2013 with an original principal balance of \$25,939 payable in 60 monthly installments of \$499 which includes interest at a rate of 5.50%. The note is collateralized by a 2012 Ford van.	<u>3,350</u>	<u>-</u>
	<u>\$ 62,979</u>	<u>\$ 432,630</u>

Notes Payable of Human Services of Greater Baton Rouge, Inc. are detailed as follows:

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note dated December 29, 1994 with the City of Baton Rouge-Parish of East Baton Rouge with an original principal balance of \$198,646 and a 0% interest rate. Loan term is 240 months beginning with the first payment due on or by January 1, 2004. The note is collateralized by land and building on Harry Drive.	\$ 9,932	\$ 45,523
Note dated October 10, 2000 with the City of Baton Rouge - Parish of East Baton Rouge with an original principal balance of \$233,024 and a 0% interest rate. Loan term is 240 months with the first payment due on or by April 1, 2001. The note is collateralized by land and building on Garfield Street.	<u>7,551</u>	<u>95,219</u>
	<u>\$ 17,483</u>	<u>\$ 140,742</u>

Note obligation maturities for years ended June 30, are as follows:

	Volunteers of America, Greater Baton Rouge, Inc.	Human Services of Greater Baton Rouge, Inc.
2019	\$ 62,979	\$ 17,483
2020	60,042	17,483
2021	56,299	97,600
2022	59,563	9,932
2023	63,017	9,932
Thereafter	<u>193,709</u>	<u>5,795</u>
	<u>\$ 495,609</u>	<u>\$ 158,225</u>

Interest expense for the year ended June 30, 2018 amounted to \$91,450 for Volunteers of America, Greater Baton Rouge, Inc., and \$265 for Human Services of Greater Baton Rouge, Inc.

Note 9 - Lines of Credit -

Volunteers of America, Greater Baton Rouge, Inc. has a revolving line of credit with Capital One with a stated maximum of \$1,500,000, which expires on December 7, 2018. The line of credit bears a variable interest rate based on the Wall Street Journal Prime Rate plus 1.25% but cannot be less than 4.5% (current rate 6.25%). The line of credit is secured by certain properties and Accounts Receivable, and as of June 30, 2018 had an outstanding balance of \$392,377. The line of credit is subject to certain financial covenants.

Volunteers of America, Greater Baton Rouge, Inc. has a line of credit with Volunteers of America, Inc. with a stated maximum of \$500,000, which expires on June 30, 2019. The line of credit bears a variable interest at a rate based on Prime plus 1% (current rate 6.00%). The line of credit is unsecured, and as of June 30, 2018 had an outstanding balance of \$500,000.

Note 10 - Minimum Lease Commitments -

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms as of June 30, 2018:

Year Ended, June 30,	Volunteers of America, Greater Baton Rouge, Inc.
2019	\$ 190,685
2020	84,480
2021	84,480
2022	87,480
2023	87,480
	<u>\$ 534,605</u>

Total rental expenses for the year ended June 30, 2018 for all operating leases was \$294,555 for Volunteers of America, Greater Baton Rouge, Inc. and \$-0- for Human Services of Greater Baton Rouge, Inc.

Note 11 - Accrued Annual Leave -

Volunteers of America, Greater Baton Rouge, Inc. has recorded an estimated liability for accrued leave of an amount based on the total hours of leave accumulated at June 30, 2018, times the employee's hourly rate at June 30, 2018. Employees accrue hours based upon their length of service. No more than one hundred sixty-eight hours of leave can be carried over from one year to another. Accrued leave in the amount of \$327,947 is included in accrued expenses on the Consolidating Statement of Financial Position.

Note 12 - Pension Plan for Ministers -

The Organization participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all ministers commissioned through December 31, 1999. Pension plan expense was \$100,960 for the year ended June 30, 2018.

Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to the Organization are not readily available.

Note 13 - Thrift Plan for Employees -

Volunteers of America, Greater Baton Rouge, Inc. has a Section 403(b) Thrift Plan that covers all employees with a minimum of one year of service. The Organization matches an amount equal to 50% of the basic employee contributions made by each participant limited to 8% of their wages. Volunteers of America, Greater Baton Rouge, Inc. elected a three year cliff vesting option for this plan. The expense for the year ended June 30, 2018 was \$48,245.

Note 14 - Memorandum of Understanding with Volunteers of America, Inc. -

Effective November 1, 2017, the Organization entered into a "Memorandum of Understanding" with its national office, Volunteers of America, Inc. In accordance with the document, the Organization has been placed on "Focused Attention" status as a result of the line of credit entered into with Volunteers of America, Inc. See Note 9 for details of the line of credit. The associated balance at June 30, 2018 totals \$500,000. This "Memorandum of Understanding" is effective for a period of one-year from the date of inception until it is mutually agreed by both parties that it is completed.

Note 15 - Commitments and Contingencies -

The Organization receives financial assistance directly from federal agencies which are subject to compliance audits under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and monitoring reviews by the granting agencies. As a result, amounts might be subject to disallowance upon acceptance of the audits and monitoring reviews by the federal granting agencies.

The Organization, in the ordinary course of business, may be involved in various legal proceedings. It is the opinion of the Organization's management that the disposition or ultimate resolution of such proceedings would not have a material effect on the Organization's financial position or the results of operations.

Note 16 - Restrictions on Net Assets -

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

	Volunteers of America, Greater Baton Rouge, Inc.	Human Services of Greater Baton Rouge, Inc.
Program Services	\$ 174,367	\$ -
Clothing for Residents	2,601	-
Property Acquisitions	-	30,000
	<u>\$ 176,968</u>	<u>\$ 30,000</u>

Permanently restricted net assets consist of the following at June 30, 2018:

	Volunteers of America, Greater Baton Rouge, Inc.
Family Fund Endowment	\$ 377,155
Clothing for Residents	2,500
	<u>\$ 379,655</u>

Note 17 - Transfers of Net Assets -

Human Services of Greater Baton Rouge, Inc. transferred out cash from the sale of assets in the amount of \$398,890 to Volunteers of America, Greater Baton Rouge, Inc. during the year. These amounts are recorded as Net Asset Transfer, Proceeds from Sale of Assets on the Consolidating Statement of Activities.

Note 18 - Schedule of Compensation, Benefits and Other Payments to President and CEO -

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation, Benefits and Other Payments received by Janet Pace, President and CEO, for the year ended June 30, 2018:

Salary	\$ 145,000
SECA	9,919
Benefits - Health & Dental	9,655
Benefits - 403b Retirement	3,000
Benefits - Life, LTD, AD&D	82
Reimbursements	528
Membership Fees	460
Conference Travel	1,347
	<u>\$ 169,991</u>

Note 19 - Subsequent Events -

The Organizations have evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 12, 2018, the date which the financial statements were available to be issued. The following event is considered a subsequent event:

- Volunteers of America, Greater Baton Rouge, Inc. sold a property on August 6, 2018 for \$185,000 and the gain on sale of the asset will be approximately \$160,000.

SUPPLEMENTARY INFORMATION

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

STATEMENT OF ACTIVITIES FOR SPECIAL PROGRAMS*

FOR THE YEAR ENDED JUNE 30, 2018

Revenues from Operations:

Government Grants and Fees	\$ 1,319,244
United Way Allocation	375,700
Other	<u>251,463</u>
Total Revenues from Operations	1,946,407

Operating Expenses:

Salaries	514,099
Employee Benefits	38,142
Payroll Taxes	37,227
Professional Fees	51,614
Supplies and Office Expenses	41,968
Administrative Expenses	291,876
Occupancy	49,428
Insurance	28,382
Interest Expense	956
Equipment Rental and Maintenance	4,358
Travel	13,405
Client Cash Subsidy	617,112
Depreciation	14,635
Other	2,248
Shared Expenses	<u>48,620</u>
Total Operating Expenses	<u>1,754,070</u>
Change in Net Assets	\$ <u>192,337</u>

* Includes all programs of Volunteers of America, Greater Baton Rouge, Inc. which received Capital Area United Way Funding annual allocation.

See independent auditor's report.

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenses</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Program:		
Supportive Housing Program	14.235	\$ 500,196
Passed Through City Parish:		
Supportive Housing Program	14.235	<u>125,287</u>
		625,483
Passed Through City Parish:		
Emergency Solutions Grants Program	14.231	25,209
Passed Through Emergency Food and Shelter Nation Board Program:		
Emergency Solutions Grants Program	14.231	<u>7,190</u>
		32,399
Passed Through Office of Community Planning and Development:		
Housing Opportunities for Persons with AIDS Program	14.241	<u>584,191</u>
Total U.S. Department of Housing and Urban Development		1,242,073
<u>U.S. Department of Veterans Affairs</u>		
Direct Program:		
V.A. Homeless Grant	64.024	135,443
Passed Through Volunteers of America, Greater New Orleans:		
Supportive Services for Veteran Families Program	64.033	<u>478,639</u>
Total U.S. Department of Veterans Affairs		614,082

(CONTINUED)

See independent auditor's report.

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Federal Expenses
<u>U.S. Department of Justice</u>		
Passed Through Louisiana Commission on Law Enforcement and Administration of Criminal Justice: Shelter Program - Child Abuse (Louisiana Commission on Law Enforcement Project Number 2902 & 2904)	16.575	108,547
<u>U.S. Department of Health and Human Services</u>		
Passed Through Louisiana Department of Education: Child Care Development Block Grant Community Network Lead Agencies (Project #28-16-CO & #28-17-CY)	93.575	1,694,812
	93.575	<u>31,474</u>
		1,726,286
Passed Through Louisiana Department of Children and Family Services: Temporary Assistance for Needy Families	93.558	98,104
Passed Through Louisiana Department of Health and Hospitals, Office of Behavioral Health: Path	93.150	221,645
Passed Through City Parish - Division of Human Development and Services: HIV Emergency Relief	93.914	<u>1,136,997</u>
Total U.S. Department of Health and Human Services		<u>3,183,032</u>
Total Federal Assistance		<u>\$ 5,147,734</u>

See independent auditor's report.

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

Note A - Significant Accounting Policies -

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Volunteers of America, Greater Baton Rouge, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note B - Indirect Cost Rate Election -

The Organization did not elect to use the 10% de minimis indirect cost rate during the year ended June 30, 2018.

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Independent Auditor's Report on Internal
Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards

Board of Directors
Volunteers of America, Greater Baton Rouge, Inc.
Baton Rouge, 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 Volunteers of America, Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Volunteers of America, Greater Baton Rouge, 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 Volunteers of America, Greater Baton Rouge, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may

exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See Findings 2018-001 and 2018-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Volunteers of America, Greater Baton Rouge, 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*.

Volunteers of America, Greater Baton Rouge, Inc.'s Response to Findings

Volunteers of America, Greater Baton Rouge, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Volunteers of America, Greater Baton Rouge, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Baton Rouge, Louisiana
December 12, 2018

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Independent Auditor's Report on Compliance
for Each Major Program and on
Internal Control Over Compliance
Required by the Uniform Guidance

Board of Directors
Volunteers of America, Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Volunteers of America, Greater Baton Rouge, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Volunteers of America, Greater Baton Rouge, Inc.'s major federal programs for the year ended June 30, 2018. Volunteers of America, Greater Baton Rouge, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Volunteers of America, Greater Baton Rouge, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Volunteers of America, Greater Baton Rouge, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Volunteers of America, Greater Baton Rouge, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Volunteers of America, Greater Baton Rouge, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Volunteers of America, Greater Baton Rouge, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Volunteers of America, Greater Baton Rouge, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Volunteers of America, Greater Baton Rouge, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hanniss T. Bourgeois, LLP

Baton Rouge, Louisiana
December 12, 2018

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. As required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the following is a summary of the results of our audit:

- Type of report issued on financial statements - unmodified.
- Type of report issued on compliance for major programs - unmodified.
- The results of audit procedures disclosed no material noncompliance in major programs.
- The results of audit procedures disclosed no questioned costs.
- Our audit disclosed no findings which are required to be reported under Section 510(a).
- The following program was tested as a Type "A" major program:

Federal Grantor/ Pass - Through Grantor/ Program Title	CFDA Number
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U.S. Department of Health and Human Services

Passed Through City Parish - Division of Human Development and Services:
HIV Emergency Relief

93.914

- The threshold for distinguishing Types A and B programs was \$750,000.
- The Organization was determined to be a low-risk auditee.

B. Internal Control Over Financial Reporting -

Finding 2018-001 - Accounting Department

Criteria: Internal controls are designed to safeguard assets and to help to deter losses from employee dishonesty or error. A fundamental concept in a good system of internal controls is segregation of duties. To the extent possible, duties should be segregated to serve as a check and balance of employee integrity and to maintain the best control system possible. The three duties that should be segregated whenever possible are (1) record keeping (access to general ledger, payroll records, reconciliations, etc.) (2) custody of assets (check signing ability, access to cash receipts, access to checks that have been signed, etc.) and (3) authorization (authority to order materials, hire employees, sign contracts, etc.). The basic premise is that no one employee has access to all phases of a transaction.

Condition: The Chief Financial Officer resigned in December 2017, the Controller resigned in May 2018, and several additional accounting staff resigned at various times during the year. Temporary labor services were utilized during the year to assist in the accounting department.

Cause: Consequently, the balance sheet accounts had not been properly reconciled for the last several months of the year, and therefore some of the financial information reported to the board was inaccurate. Management then made the decision to have a third party accounting firm assist in the monthly and year end closeout.

Effect or potential effect: Due to the factors listed above, there were delays in preparing billings, account balance reconciliations, and supporting schedules that are obtained for the audit. Furthermore, there were delays in obtaining supporting documentation and responses to analytical and detail testing procedures required in our audit.

Recommendation: Now that new personnel were recently hired and the third party accounting firm is being used on a monthly basis, we recommend that management take this opportunity to reevaluate the operations of the accounting department for segregation of duties to the extent possible given the relative size of the office staff.

In addition to the segregation of duties discussed above, there should be adequate supervision and review over significant accounting processes most notably the accounts receivable, payables, and payroll processes. It is recommended that a member of management not responsible for processing these transactions be actively involved in the supervision and review process. These factors along with others should be considered when evaluating employee duties.

Management response: Management agrees with the recommendation above. With the departure of the CFO and the controller and then the accounting staff, VOAGBR did undertake an external assessment using our board Finance Committee and national VOA resources to assess the structure of our accounting department. We looked at other VOA affiliates and their structure and determined that outsourcing of our higher level functions would give us greater efficiency and accountability. In March 2018, we engaged an external accounting firm who has worked with us to create a new accounting structure. We have implemented a new accounting software, hired an Accounting Director, and downsized from eight internal employees to five. We have structured the department to ensure that there is adequate supervision over the accounting processes and that there is proper segregation of duties.

Finding 2018-002 - Accounts Receivable

Criteria: Accounts receivable controls should be monitored to prevent, or detect and correct material misstatements. This includes misstatements involving the estimation of the accounts receivable and allowance for doubtful accounts.

Condition: It was noted that approximately 40% and 20% of the trade accounts receivable balance was aged 60 days and older in 2018 and 2017, respectively. Based on historical results, the 2018 balance aged 60 days and older has increased significantly.

Cause: Management explained this increase is a result of issues in the implementation of the new electronic health records system and the staff turnover noted above during the current year which has caused delays in the receipt and processing of invoices by the applicable agencies.

Effect of potential effect: Management reviewed accounts greater than six months old and determined that an additional adjustment to bad debt expense of approximately \$129,000 was necessary to account for these delinquent amounts. Management feels that the remainder of the receivables are fully collectible at this time and is currently working to resolve the data transmission and invoicing issues that arose from the new system and collect payment for services that were performed.

In addition, Management discovered that one vendor had not previously received billings amounting to approximately \$150,000, although they had been booked into the accounting system as receivables. These billings will be remitted as soon as administratively possible. The error was discovered then the confirmation was received from the vendor showing approximately \$150,000 less in billings. Management contacted the vendor and determined the billings had not been properly transmitted through the new billing system.

Recommendation: We recommend that the necessary resources be devoted to resolving this issue timely and that the Organization continue to pursue collections on the significantly aged outstanding receivable balances. We further recommend if it is determined by management that any of the receivable balances are not collectible, that they be written off against the existing allowance for doubtful accounts or directly to bad debt expense if in excess of the current allowance. We also recommend that Management assess the methodology for determining the allowance for doubtful accounts and determine that the current allowance amount is adequate based on their knowledge of the factors affecting the allowance.

Management agrees with the recommendation above and is working with the third party accounting firm and board Finance Committee to develop a consistent methodology for determining the allowance for doubtful accounts. Additionally, management has devoted resources to resolving this issue as it relates to the various managed care organizations VOA works with and has started collecting payments as a result of this effort. We have engaged an outside firm to work on the oldest A/R claims, and they have successfully refiled old claims, recovered and continue to recover many of the oldest claims. Since the department has been fully staffed, billings are being remitted timely, payments are coming in more timely, and accounting staff is reviewing A/R weekly so that late payors can be addressed in a more timely fashion.

C. Compliance and Other Matters - None

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2018

None



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Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Directors
Volunteers of America, Greater Baton Rouge, Inc. and
the Louisiana Legislative Auditor
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by Volunteers of America, Greater Baton Rouge, Inc. (a nonprofit organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. 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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget - **No findings**
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes. - **No findings**
 - c) ***Disbursements***, including processing, reviewing, and approving - **No findings**

- d) *Receipts/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation). - **No findings**
- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. - **No findings**
- 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

Finding - Policies do not address types of services requiring written contracts, terms and conditions, legal review, and monitoring. This finding was also noted in the prior year's report.

Management's Response/Corrective Action - In the current fiscal year, new policies and procedures are being drafted but were not yet finalized. Volunteers of America, Greater Baton Rouge, Inc. will include criteria in their policies and procedures on what types of services require written contracts. In addition, policies are already reviewed annually for updates or changes and approved at the annual board meeting. Volunteers of America, Greater Baton Rouge, Inc. is also completing the implementation of a contract management system for efficient administration of all contracts.

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases) - **No findings**
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers - **No findings**
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. - **Not Applicable**
- j) *Debt Service*, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. - **Not Applicable**

Collections

2. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
3. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers. - **No findings**
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit. - **No findings**
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit. - **No findings**
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation. - **No findings**
4. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft. - **No findings**
5. Randomly select ten deposit dates for each of the items selected for procedure #3 (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:
- a) Observe that receipts are sequentially pre-numbered. - **No findings**
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. - **No findings**
 - c) Trace the deposit slip total to the actual deposit per the bank statement. - **No findings**
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Finding - It was noted that the payment receipt date is not being documented for collections. For testing purposes, we compared the check date to the deposit date to verify deposits were made within one business day. It was noted five instances in which deposits were not made within one business day of the check date. Four instances were noted where the deposits were made within one week after the check date, and one instance was noted where the deposit was made more than a week after the check date.

Management's Response/Corrective Action - To the extent practically possible, Volunteers of America, Greater Baton Rouge, Inc. will endeavor to make every effort to make deposits within one day of collection. Collections on Fridays, late afternoon could cause a delay and barring any weekend or holiday involved. Furthermore, Volunteers of America, Greater Baton Rouge, Inc. will begin documenting the date of receipt on the cash receipts login journal.

- e) Trace the actual deposit per the bank statement to the general ledger. - **No findings**

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

6. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
7. For each location selected under #6 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase. - **No findings**
 - b) At least two employees are involved in processing and approving payments to vendors. - **No findings**
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files. - **No findings**
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments. - **No findings**
8. For each location selected under #6 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement. - **No findings**
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #7, as applicable. - **No findings**

Other

9. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled. - **None noted**
10. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds. - **No findings**

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Respectfully submitted,

Hanniss T. Bourgeois, LLP

Baton Rouge, Louisiana
December 12, 2018