

EASTER SEALS LOUISIANA, INC.

Audits of Financial Statements

June 30, 2017 and 2016



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Independent Auditor's Report

To the Board of Directors
Easter Seals Louisiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Easter Seals Louisiana, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Louisiana, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of Easter Seals Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
October 19, 2017

EASTER SEALS LOUISIANA, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash Used for Operations	\$ 121,155	\$ 81,491
Cash Equivalents Designated for Investments	135,925	71,814
Cash Designated for Capital Projects	672,197	672,795
Accounts Receivable, Net	1,442,325	1,053,290
Prepaid Expenses and Deposits	26,033	24,499
Investments - Board-Designated	1,466,403	1,404,281
Unemployment Trust	113,505	107,097
Beneficial Interest in Asset Held by Others	8,296	8,296
Unimproved Real Estate	-	16,218
Furniture and Equipment, Net	30,514	66,539
	<hr/>	<hr/>
Total Assets	\$ 4,016,353	\$ 3,506,320
Liabilities		
Accounts Payable	\$ 60,958	\$ 73,665
Payroll Taxes Payable	7,912	-
Other Liabilities	10,827	7,684
Accrued Vacation	24,906	154,708
	<hr/>	<hr/>
Total Liabilities	104,603	236,057
Net Assets		
Unrestricted Net Assets		
Undesignated	1,637,225	1,121,373
Board-Designated	2,274,525	2,148,890
	<hr/>	<hr/>
Total Net Assets	3,911,750	3,270,263
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Total Liabilities and Net Assets	\$ 4,016,353	\$ 3,506,320

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

EASTER SEALS LOUISIANA, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2017 and 2016

	2017	2016
Support and Revenue		
Contributions and Other Revenue		
Contributions	\$ 22,158	\$ 39,086
Special Events	123,938	131,797
Net Investment Gain (Loss)	136,954	(63,563)
Gain on Sale of Assets	16,651	-
Miscellaneous	306,854	18,501
Program Revenue		
Case Management	6,600,229	5,871,239
Mental Health Services	1,339,567	1,522,853
System Point of Entry (SPOE)	1,450,285	1,370,353
Integrated Community Engagement	255,093	224,858
Autism Services	27,760	-
Unity Permanent Supportive Housing	-	112,812
Total Support and Revenue	10,279,489	9,227,936
Expenses		
Program Services		
Case Management	5,511,305	5,569,003
Mental Health Services	1,598,211	1,342,638
System Point of Entry (SPOE)	1,327,560	1,275,269
Integrated Community Engagement	241,000	218,016
Direct Services	19,300	47,466
Unity Permanent Supportive Housing	-	149,825
Support Services		
Management and General	821,652	694,387
Fundraising	118,974	114,050
Total Expenses	9,638,002	9,410,654
Change in Net Assets	641,487	(182,718)
Net Assets, Beginning of Year	3,270,263	3,452,981
Net Assets, End of Year	\$ 3,911,750	\$ 3,270,263

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2017

Program Services

	Mental Health Services						
	Case Management (All Regions)	Integrated Community Engagement (I & II)	Shreveport Crisis Services	Shreveport Community Psychiatric Support Treatment	Shreveport Residential	Monroe Intensive Case Management	Monroe Disaster Case Management
Salaries and Employee Benefits	\$ 4,554,351	\$ 55,648	\$ 184,626	\$ 51,170	\$ 234,911	\$ 260,959	\$ 425,903
Professional Fees and Contracted Services	88,104	398	29,292	3,909	5,172	11,709	6,167
Supplies	79,250	3,420	12,453	1,590	16,936	2,590	12,514
Telecommunications	101,059	419	13,276	2,189	9,297	6,695	10,018
Postage and Shipping	15,397	27	507	-	396	113	456
Occupancy	256,210	-	24,933	-	96,915	7,407	19,942
Equipment Rent and Maintenance	52,724	2,821	1,735	-	638	3,369	5,807
Printing, Publications, and Media	6,850	18	512	37	193	130	64
Travel and Transportation	244,898	1,320	3,632	3,175	2,895	23,858	13,023
Conferences and Meetings	1,809	-	212	182	94	406	51
Dues and Memberships	130	-	-	-	-	-	-
Specific Assistance	-	148,861	-	-	-	-	-
Insurance	30,086	1,316	1,493	489	2,056	1,943	2,888
Interest	-	-	-	-	-	-	-
Auditing Fees	-	-	-	-	-	-	-
Bad Debt Expense	33,393	-	-	12,116	-	26,576	21,345
Staff Training and Development	4,469	-	73	10	372	157	97
Miscellaneous	22,032	25,854	(351)	1,507	5,311	1,886	2,129
Depreciation	20,543	898	1,019	334	1,404	1,327	1,972
Total Functional Expenses	5,511,305	241,000	273,412	76,708	376,590	349,125	522,376
National Membership Dues	-	-	-	-	-	-	-
Total Functional Expenses with National Membership Dues	\$ 5,511,305	\$ 241,000	\$ 273,412	\$ 76,708	\$ 376,590	\$ 349,125	\$ 522,376

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2017

	<u>Program Services</u>			<u>Support Services</u>			
	System Point of Entry (All Regions)	Direct Services	Program Services Totals	Management and General	Fundraising	Support Services Totals	Total
Salaries and Employee Benefits	\$ 974,410	\$ -	\$ 6,741,978	\$ 552,494	\$ 74,072	\$ 626,566	\$ 7,368,544
Professional Fees and Contracted Services	9,454	-	154,205	69,006	437	69,443	223,648
Supplies	39,094	49	167,896	27,273	8,832	36,105	204,001
Telecommunications	38,565	-	181,518	9,141	461	9,602	191,120
Postage and Shipping	14,773	-	31,669	2,609	152	2,761	34,430
Occupancy	105,544	-	510,951	21,647	-	21,647	532,598
Equipment Rent and Maintenance	24,448	-	91,542	5,901	-	5,901	97,443
Printing, Publications, and Media	1,662	-	9,466	908	3,210	4,118	13,584
Travel and Transportation	70,643	4,396	367,840	35,536	5,860	41,396	409,236
Conferences and Meetings	788	263	3,805	7,339	10,965	18,304	22,109
Dues and Memberships	12	-	142	2,259	-	2,259	2,401
Specific Assistance	-	13,987	162,848	-	-	-	162,848
Insurance	7,249	515	48,035	4,486	650	5,136	53,171
Interest	-	-	-	954	-	954	954
Auditing Fees	11,425	-	11,425	22,286	-	22,286	33,711
Bad Debt Expense	-	-	93,430	-	-	-	93,430
Staff Training and Development	1,363	-	6,541	-	82	82	6,623
Miscellaneous	23,181	19	81,568	9,546	13,809	23,355	104,923
Depreciation	4,949	71	32,517	3,063	444	3,507	36,024
Total Functional Expenses	1,327,560	19,300	8,697,376	774,448	118,974	893,422	9,590,798
National Membership Dues	-	-	-	47,204	-	47,204	47,204
Total Functional Expenses with National Membership Dues	\$ 1,327,560	\$ 19,300	\$ 8,697,376	\$ 821,652	\$ 118,974	\$ 940,626	\$ 9,638,002

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2016

Program Services

	Mental Health Services							
	Case Management (All Regions)	Integrated Community Engagement (I & II)	Shreveport Crisis Services	Shreveport Community Psychiatric Support Treatment	Shreveport Residential	Monroe Residential	Monroe Intensive Case Management	Monroe Disaster Case Management
Salaries and Employee Benefits	\$ 4,577,645	\$ 57,623	\$ 261,481	\$ 74,858	\$ 190,917	\$ 45,436	\$ 272,703	\$ 25,219
Professional Fees and Contracted Services	59,611	234	21,994	15,343	5,069	291	9,048	91
Supplies	44,796	-	11,794	1,099	17,229	420	2,499	10,307
Telecommunications	88,044	-	20,905	2,246	4,205	1,479	6,947	6,065
Postage and Shipping	18,144	-	44	-	743	139	689	-
Occupancy	275,513	-	14,375	-	96,508	57,375	10,055	806
Equipment Rent and Maintenance	77,596	1,157	4,990	585	2,195	1,389	6,236	120
Printing, Publications, and Media	16,262	18	939	523	1,421	210	1,179	64
Travel and Transportation	250,469	-	8,414	7,433	2,304	1,207	34,967	211
Conferences and Meetings	4,734	-	2,057	89	752	14	851	-
Dues and Memberships	39	-	-	-	-	-	-	-
Specific Assistance	-	139,219	1,319	-	-	-	-	-
Insurance	25,719	1,007	1,637	508	1,539	504	1,810	203
Auditing Fees	-	-	-	-	-	-	-	-
Bad Debt Expense	78,186	-	-	4,821	-	-	41,034	-
In-Kind Expenses	-	-	-	-	-	-	-	-
Miscellaneous	31,287	17,938	3,257	1,973	9,177	239	2,342	692
Depreciation	20,958	820	1,334	414	1,254	411	1,475	166
Total Functional Expenses	5,569,003	218,016	354,540	109,892	333,313	109,114	391,835	43,944
National Membership Dues	-	-	-	-	-	-	-	-
Total Functional Expenses with National Membership Dues	\$ 5,569,003	\$ 218,016	\$ 354,540	\$ 109,892	\$ 333,313	\$ 109,114	\$ 391,835	\$ 43,944

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2016

	Program Services			Support Services				Total
	Unity Permanent Supportive Housing	System Point of Entry (All Regions)	Direct Services	Program Services Totals	Management and General	Fundraising	Support Services Totals	
Salaries and Employee Benefits	\$ 18,064	\$ 964,705	\$ 18,633	\$ 6,507,284	\$ 489,300	\$ 61,775	\$ 551,075	\$ 7,058,359
Professional Fees and Contracted Services	-	4,267	-	115,948	35,734	25,749	61,483	177,431
Supplies	-	23,984	855	112,983	13,592	7,628	21,220	134,203
Telecommunications	228	36,922	-	167,041	9,220	566	9,786	176,827
Postage and Shipping	14	15,121	150	35,044	1,694	281	1,975	37,019
Occupancy	1,585	104,242	-	560,459	21,125	-	21,125	581,584
Equipment Rent and Maintenance	-	28,134	-	122,402	7,665	335	8,000	130,402
Printing, Publications, and Media	-	4,437	-	25,053	4,931	3,962	8,893	33,946
Travel and Transportation	1,620	62,590	-	369,215	29,078	3,422	32,500	401,715
Conferences and Meetings	-	2,152	431	11,080	10,240	1,209	11,449	22,529
Dues and Memberships	-	42	-	81	3,133	210	3,343	3,424
Specific Assistance	91,314	-	25,999	257,851	-	-	-	257,851
Insurance	692	5,890	219	39,728	3,207	1,485	4,692	44,420
Auditing Fees	-	11,000	-	11,000	8,590	-	8,590	19,590
Bad Debt Expense	-	-	-	124,041	-	-	-	124,041
In-Kind Expenses	35,744	-	-	35,744	-	-	-	35,744
Miscellaneous	-	6,984	1,000	74,889	17,039	7,000	24,039	98,928
Depreciation	564	4,799	179	32,374	2,613	428	3,041	35,415
Total Functional Expenses	149,825	1,275,269	47,466	8,602,217	657,161	114,050	771,211	9,373,428
National Membership Dues	-	-	-	-	37,226	-	37,226	37,226
Total Functional Expenses with National Membership Dues	\$ 149,825	\$ 1,275,269	\$ 47,466	\$ 8,602,217	\$ 694,387	\$ 114,050	\$ 808,437	\$ 9,410,654

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

EASTER SEALS LOUISIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in Net Assets	\$ 641,487	\$ (182,718)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	36,024	35,415
Bad Debt Expense	93,430	124,041
Net Realized and Unrealized (Gain) Loss on Investments	(112,838)	63,610
Realized Gain from Sale of Land	(16,651)	-
(Increase) Decrease in Operating Assets		
Cash Equivalents Designated for Investments	(64,111)	67,842
Cash Designated for Capital Projects	598	(95,035)
Accounts Receivable	(482,465)	69,268
Prepaid Expenses and Deposits	(1,534)	(7,637)
Unemployment Trust	(6,408)	18,610
Beneficial Interest in Asset Held by Others	-	(2,764)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(12,707)	5,024
Payroll Taxes Payable	7,912	-
Other Liabilities	3,143	7,684
Accrued Vacation	(129,802)	14,191
Net Cash (Used in) Provided by Operating Activities	(43,922)	117,531
Cash Flows from Investing Activities		
Purchases of Investments	(691,473)	(1,016,447)
Proceeds from Sales of Investments	742,190	939,111
Proceeds from Sale of Land	32,869	-
Purchases of Furniture and Equipment	-	(23,575)
Net Cash Provided by (Used in) Investing Activities	83,586	(100,911)
Net Increase in Cash Used for Operations	39,664	16,620
Cash Used for Operations, Beginning of Year	81,491	64,871
Cash Used for Operations, End of Year	\$ 121,155	\$ 81,491
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 954	\$ -

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

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Activities

Easter Seals Louisiana, Inc. (the Organization), is a nonprofit, community-based healthcare agency organized under the laws of the State of Louisiana. The mission of the Organization is to help children and adults with disabilities, and their families, obtain, and effectively utilize resources necessary to lead more independent and purposeful lives. The Organization maintains programs and services that create an acceptance toward people with disabilities through the following: Camperships, Equipment Loans and Specific Assistance, Support Coordination (Case Management), Mental Health Services, and Early Intervention Services.

Note 2. Summary of Significant Accounting Policies

Organization and Income Taxes

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1951. It is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the code. It is also exempt from Louisiana income tax under the authority of Louisiana Revised Statute (LRS) 47:121(5).

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no temporarily or permanently restricted net assets.

Cash Flow Information

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Organization did not make any cash payments for income taxes during the years ended June 30, 2017 and 2016.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Summary of Significant Accounting Policies (Continued)

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Accounts Receivable

The Organization provides services under contracts entered into with various state and federal agencies. Accounts receivable include amounts billed under these contracts and amounts due from patients for services provided.

A major portion of the accounts receivable balances as of June 30, 2017 and 2016 is from the Louisiana Department of Health and Hospitals. Management closely monitors outstanding accounts receivable and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off. As of June 30, 2017 and 2016, the allowance for uncollectible receivables was \$17,059 and \$134,369, respectively.

Furniture and Equipment

Furniture and equipment is recorded at cost. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments of \$1,000 or greater are capitalized. Depreciation is computed on the straight-line method over the estimated useful life of each asset which ranges from five to seven years. Donated property is recorded at its fair market value at the date of donation.

Allocated Expenses

The costs of providing the various programs and other activities are summarized in the statements of functional expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Note 3. Unemployment Trust

The Organization self-insures for unemployment expenses via the Unemployment Services Trust. The unemployment trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The balance of the unemployment trust is based on the gross balance of the account less an estimate of actual claims. The net recorded balance as of June 30, 2017 and 2016, was \$113,505 and \$107,097, respectively.

EASTER SEALS LOUISIANA, INC.**Notes to Financial Statements**

Note 4. Investments

Investments are summarized as follows at June 30, 2017 and 2016:

2017	Cost	Fair Market Value
Common Stocks	\$ 567,257	\$ 678,783
Equity Mutual Funds	178,676	196,875
Corporate Bonds	309,828	315,606
Bond Mutual Funds	277,326	275,139
Total	\$ 1,333,087	\$ 1,466,403

2016	Cost	Fair Market Value
Common Stocks	\$ 675,540	\$ 654,287
Equity Mutual Funds	152,422	147,718
Corporate Bonds	289,451	299,319
Bond Mutual Funds	299,140	302,957
Total	\$ 1,416,553	\$ 1,404,281

The following schedule summarizes the investment gain (loss) shown in the statements of activities and changes in net assets for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and Dividend Income, Net of Expenses	\$ 24,116	\$ 47
Unrealized and Realized Gain (Loss), Net	112,838	(63,610)
Net Investment Gain (Loss)	\$ 136,954	\$ (63,563)

Note 5. Fair Value Measurements

FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments. FASB ASC Topic 820 establishes a fair value hierarchy which prioritizes inputs to the valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data (observable inputs) or they may be internally developed (unobservable inputs). The fair value hierarchy prioritizes the inputs to the valuation techniques used to measure fair value into three broad categories. These categories include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The market approach is used for valuing common stocks, equity mutual funds, and bond mutual funds, which are all classified within Level 1 of the fair value hierarchy. The remainder of the Organization's investment portfolio consists of corporate bonds, which may not trade on a daily basis. Corporate bonds are generally valued based upon quoted market prices from brokers and dealers, which represent fair value, and are classified within Level 2.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes 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.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

Assets measured at fair value are comprised of the following as of June 30, 2017 and 2016:

2017	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Common Stocks	\$ 678,783	\$ 678,783	\$ -	\$ -
Equity Mutual Funds	196,875	196,875	-	-
Corporate Bonds	315,606	191,568	124,038	-
Bond Mutual Funds	275,139	275,139	-	-
Total	\$ 1,466,403	\$ 1,342,365	\$ 124,038	\$ -

2016	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Common Stocks	\$ 654,287	\$ 654,287	\$ -	\$ -
Equity Mutual Funds	147,718	147,718	-	-
Corporate Bonds	299,319	143,825	155,494	-
Bond Mutual Funds	302,957	302,957	-	-
Total	\$ 1,404,281	\$ 1,248,787	\$ 155,494	\$ -

Note 6. Board-Designated Endowment

In May 2013, an endowment fund was established by the Board of Directors in the form of investments with the purpose of providing perpetual financial support to the Organization. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of restrictions imposed by a donor. The funds in the investment portfolio are not anticipated to be utilized for the daily operations of the Organization, and as such, are invested over a long-term investment horizon. The endowment fund uses a total-return based spending policy, which means that it will fund distributions from net investment income, net realized capital gains, and proceeds from the sale of investments. A distribution of fund assets is permitted to the extent that such distributions do not exceed a level that would erode the portfolio's real assets over time. As of June 30, 2017 and 2016, no appropriations have been made from the endowment.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 6. Board-Designated Endowment (Continued)

The investment strategy of the portfolio is to provide for capital appreciation over the long-term, deploying a moderate growth investment objective. The portfolio is managed in a way that reflects an above average risk tolerance and the ability to accept higher levels of volatility while seeking to achieve annual returns of 5% to 8% above the rate of inflation. In order to accomplish this, the investment advisor is instructed to invest the portfolio using an allocation of both equities and fixed income securities. With regards to equity securities held in the portfolio, the investment manager is not restricted in its selection of securities. However, the Organization retains the right to request the divestiture of any security it may find objectionable. With regards to fixed income securities, securities which are deemed suitable for the portfolio will be of investment grade and represent obligations of the U.S. Government or its agencies and/or domestic corporations.

To implement the investment strategy outlined above, the investment manager will invest the portfolio as follows:

Asset Class	Strategic %	Minimum	Maximum
Cash and Cash Equivalents	5%	0%	5%
Fixed Income	30%	20%	50%
Equities	65%	50%	80%

Endowment fund net asset composition by type of fund as of June 30, 2017 and 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Fund Net Assets
2017				
Board-Designated Endowment Fund	\$ 1,602,328	\$ -	\$ -	\$ 1,602,328
Total	\$ 1,602,328	\$ -	\$ -	\$ 1,602,328
				Total Endowment Fund Net Assets
2016				
Board-Designated Endowment Fund	\$ 1,476,095	\$ -	\$ -	\$ 1,476,095
Total	\$ 1,476,095	\$ -	\$ -	\$ 1,476,095

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 6. Board-Designated Endowment (Continued)

Changes in endowment fund net assets for the years ended June 30, 2017 and 2016, were as follows:

2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Fund Net Assets
Net Assets, Beginning of Year	\$ 1,476,095	\$ -	\$ -	\$ 1,476,095
Contributions	-	-	-	-
Investment Earnings				
Unrealized and Realized Gain, Net	112,838	-	-	112,838
Dividends and Interest	26,274	-	-	26,274
Appropriated for Expenditure	-	-	-	-
Investment Expense	(12,879)	-	-	(12,879)
Net Assets, End of Year	\$ 1,602,328	\$ -	\$ -	\$ 1,602,328

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Fund Net Assets
Net Assets, Beginning of Year	\$ 1,530,212	\$ -	\$ -	\$ 1,530,212
Contributions	-	-	-	-
Investment Earnings				
Unrealized and Realized Loss, Net	(63,610)	-	-	(63,610)
Dividends and Interest	22,808	-	-	22,808
Appropriated for Expenditure	-	-	-	-
Investment Expense	(13,315)	-	-	(13,315)
Net Assets, End of Year	\$ 1,476,095	\$ -	\$ -	\$ 1,476,095

Note 7. Beneficial Interest in Asset Held by Others

During the year ended June 30, 2015, the Organization was made aware of a gift annuity contract entered into by a donor wherein the Organization is to receive 75% of the remainder. As of June 30, 2017 and 2016, the balance estimated to be received by the Organization was \$8,296.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 8. Uncertain Tax Positions

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 9. Furniture and Equipment

The following is a summary of furniture and equipment at June 30, 2017 and 2016:

	2017	2016
Furniture and Fixtures	\$ 54,396	\$ 54,396
Office Equipment	237,215	237,215
Total Furniture and Equipment	291,611	291,611
Less: Accumulated Depreciation	(261,097)	(225,072)
Total Furniture and Equipment, Net	\$ 30,514	\$ 66,539

Depreciation expense was \$36,024 and \$35,415, for the years ended June 30, 2017 and 2016, respectively.

Note 10. Operating Leases

The Organization leases certain office facilities in New Orleans, Shreveport, Covington, Monroe, Alexandria, and Thibodaux. The payments on the leases range from \$600 to \$11,480 per month. Rent expense related to operating leases was approximately \$512,000 and \$640,000, for the years ended June 30, 2017 and 2016, respectively.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 10. Operating Leases (Continued)

The future minimum lease payments under the above described non-cancelable leases are as follows.

Years Ending June 30,	Amount
2018	\$ 359,232
2019	259,467
2020	184,560
2021	184,560
Total	\$ 987,819

Note 11. Line of Credit

The Organization has a \$500,000 revolving bank line of credit. Interest is payable at the prime rate, plus 1.25% points, with a floor of 4.50%. The interest rate was 5.50% and 4.75% as of June 30, 2017 and 2016, respectively. All unpaid interest and principal is due on March 9, 2018. The loan is secured with receivables and property, furniture, and equipment. There was no outstanding balance on the line of credit as of June 30, 2017 and 2016.

Note 12. Net Assets

As further explained in Note 6, a portion of the unrestricted net assets has been designated by the Board of Directors to be used for specific purposes. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in planning future expenditures and investing. Information regarding the components of unrestricted net assets at June 30, 2017 and 2016, is as follows:

	2017	2016
Undesignated Net Assets	\$ 1,637,225	\$ 1,121,373
Designated Net Assets		
Designated for Endowment	1,602,328	1,476,095
Designated for Capital Projects	672,197	672,795
Total Designated Net Assets	2,274,525	2,148,890
Total Unrestricted Net Assets	\$ 3,911,750	\$ 3,270,263

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 13. Related Party Transactions

The Organization is affiliated with Easter Seals, Inc. (Easter Seals) and pays an annual membership fee. For the years ended June 30, 2017 and 2016, the fee was \$47,204 and \$37,226, respectively. Easter Seals provides supplies for certain campaigns and charges the Organization for those supplies. Easter Seals also remits to the Organization contributions collected on behalf of the Organization. There was \$3,198 and \$-0- due to Easter Seals as of June 30, 2017 and 2016, respectively.

Note 14. Significant Contracts and Grants

For the years ended June 30, 2017 and 2016, approximately \$6,099,000 and \$5,821,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary, and approximately \$1,450,000 and \$1,370,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a pass-through entity for federal grants. The State of Louisiana provides annual contracts to the Organization which grant the State of Louisiana the right to audit program accounts and activities. The State, acting as the Medicaid intermediary for Medicaid patients, reimburses services rendered to Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 15. Pension Plan

The Organization sponsors a defined contribution profit sharing plan covering substantially all employees of the Organization who have one year of eligible service. The plan provided for contributions by the Organization equal to 2% of eligible compensation for each eligible employee for the years ended June 30, 2017 and 2016. The Organization incurred contribution expense of \$85,421 and \$89,910, for the years ended June 30, 2017 and 2016, respectively.

Note 16. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 17. Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2017 and 2016.

Note 18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 19, 2017, and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

EASTER SEALS LOUISIANA, INC.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2017

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

Agency Head
Tracy Garner, Chief Executive Officer

Purpose	Compensation and Benefits Funded by Use of Public Funds
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Cell and Data Plan	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Mileage	\$0
Registration Fees	\$0
Conference Travel	\$0
Professional Dues/ Memberships	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

UNIFORM GUIDANCE SECTION

EASTER SEALS LOUISIANA, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Entity/ Program Title	Federal CFDA Number	Pass-Through Award Number	Federal Expenditures
United States Department of Housing and Urban Development			
Passed through HOPE Connections:			
Continuum of Care	14.267	LA0161L6H021504	\$ <u>227,827</u>
Total United States Department of Housing and Urban Development			<u>227,827</u>
United States Department of Education			
Passed through the Louisiana Department of Health and Hospitals:			
Special Education - Grants for Infants and Families with Disabilities	84.181	060724	455,672
	84.181	060750	387,035
	84.181	060751	<u>607,578</u>
Total United States Department of Education			<u>1,450,285</u>
United States Department of Homeland Security			
Passed through State of Louisiana Office of Community Development			
Disaster Case Management	97.036	PO 2000199240	<u>499,190</u>
Total United States Department of Homeland Security			<u>499,190</u>
Total Expenditures of Federal Awards			<u>\$ 2,177,302</u>

See notes to schedule of expenditures of federal awards.

EASTER SEALS LOUISIANA, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Easter Seals Louisiana, Inc. (the Organization) and is prepared in accordance with the accrual method of accounting. The information in this schedule is presented in accordance with the 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).

Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2017.

Note 2. Findings of Noncompliance

There are no findings of noncompliance disclosed in the accompanying schedule of findings and questioned costs.

Note 3. De Minimis Cost Rate

The Organization uses the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

To the Board of Directors
Easter Seals Louisiana, Inc.

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 Easter Seals Louisiana, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Metairie, LA
October 19, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
Easter Seals Louisiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Easter Seals Louisiana, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization'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 the Organization'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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with 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 the Organization'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 a 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

This report is intended for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Metairie, LA
October 19, 2017

EASTER SEALS LOUISIANA, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	
<u>CFDA Numbers</u> 97.036	<u>Name of Federal Program</u> Disaster Case Management
Dollar threshold used to determine Type A Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. FINANCIAL STATEMENT FINDINGS

2017-001 Maintenance of Records / Supporting Documentation

Criteria: The Organization should have a proper system in place to ensure that accurate and complete documentation is maintained to support transactions.

Condition: There was a lack of adequately implemented controls over review processes related to the documentation of certain transactions.

Context: During the year, the Organization experienced significant turnover. Staffing changes contributed to the Organization not having the proper controls in place to ensure accurate and complete documentation maintenance to support cash disbursements.

During audit testing, we noted the following:

- Support for certain transactions could not be located, and documentation for these transactions needed to be requested from vendors.
- Support for certain cash disbursements did not agree to the amounts recorded in the general ledger.
- Certain submissions for federal reimbursement grants required resubmission after being rejected due to lack of adequate documentation supporting the allowability of the expenditure.

Cause: The Organization did not adequately consider the effect of the change in personnel and the impact on key control processes over the review and supervision of the maintenance of records and supporting documentation.

Effect: Without adequate controls over the maintenance of records and supporting documentation, the Organization could fail to identify errors and malfeasance related to cash transactions and increase the risk of the loss of a proper audit trail. In addition, costs may potentially be disallowed from funding sources, and there is an increased risk of noncompliance with grant requirements.

Recommendation: It is recommended that the Organization review its controls over maintenance of records and supporting documentation in light of the changes in personnel to ensure that accurate and adequate documentation is maintained.

Management's Response: Steps to improve the maintenance of records and supporting documentation have already been implemented. Effective July 1, 2017, all invoices along with the proof of payment are being scanned and saved on the company server in folders for individual vendors. Additionally, upon review and evaluation of our needs, we modified the prior position of accountant to that of controller in July 2017 and hired a licensed CPA to enhance the quality of all accounting functions.

EASTER SEALS LOUISIANA, INC.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II. FINANCIAL STATEMENT FINDINGS (Continued)

2017-001 Maintenance of Records / Supporting Documentation (Continued)

Management's Response (Continued):

In addition to accounts payable, Easter Seals Louisiana has implemented the process of limiting the amount of paper documents it has on hand. To the extent possible, paper documents will be saved in electronic format on the company server.

We are confident that the steps we have in place will greatly improve and enhance our accounting procedures.

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

U.S. Department of Homeland Security

Disaster Case Management - CFDA 97.036

2017-001 Maintenance of Records / Supporting Documentation

This finding is detailed in the Financial Statement Findings section above as finding 2017-001.

EASTER SEALS LOUISIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.

AGREED-UPON PROCEDURES REPORT
Easter Seals Louisiana, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2016 - June 30, 2017

To the Board Members of the
Easter Seals Louisiana, Inc. and
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Easter Seals Louisiana, Inc. (ESL) 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, 2016 through June 30, 2017. ESL'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 results are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (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.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts**, including receiving, recording, and preparing deposits.
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **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. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: The policies of ESL address all of the functions listed, with the following exceptions. Policies for 1(b), purchasing, do not address how vendors are added to the vendor list or the preparation and approval process of purchase requisitions and purchase orders. Additionally, no purchase order or requisition system was observed to be in place. Policies for 1(f), contracting, do not address the types of services requiring written contracts, the standard terms and conditions for contracts, legal review, or a monitoring process.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: ESL met at least quarterly in accordance with ESL by-laws. The minutes reference budget-to-actual comparisons. The minutes reference approvals of contracts.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Results: We obtained a listing of bank accounts from management and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: We selected two bank accounts and obtained bank statements and reconciliations. Criteria 4(a) and 4(c) were met without exception. While performing procedure 4(b), we noted that for both bank accounts selected, there was no evidence to support that the review had occurred.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Results: We obtained from management a listing of cash/check/money order (cash) collection locations and management's representation that the list is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:
 - a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: There are three collection locations, which were all selected for testing. Each person responsible for collecting cash is bonded. Duties were segregated per the policy; the third criteria on whether employees collecting cash sharing a same cash register or drawer with another employee is not applicable for ESL. The entity has a formal process to reconcile cash collections to the general ledger by a person who is not responsible for cash collections. While performing procedure 6(c), we noted that of the fifteen deposits tested, four were not deposited within one day of collection and five of the deposits selected did not have a collection detail report of these items in order to test the attributes. For the four not deposited within one day of collection, the number of days from receipt to deposit ranged from eight to twelve days.

- 7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Results: ESL has a process specifically defined to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions by a person who is not responsible for collections.

Disbursements - General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

- 8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Results: We obtained from management a disbursements listing and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: We obtained supporting documentation for twenty-five disbursements. Of the twenty-five disbursements selected, none of the disbursements were initiated using a requisition/purchase order system since no system or equivalent is in place for ESL, two of the disbursements were only approved by the person making the requisition, and nine disbursements were made without an approval noted on the invoice.

10. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: There was no documentation evidencing that the person responsible for processing payments is prohibited from adding vendors to ESL's purchasing disbursement system or adding vendors in general.

11. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: The persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: No exceptions were identified as a result of these procedures.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: No exceptions were identified as a result of these procedures.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: Out of the ten statements obtained, there was no evidence that eight of the monthly statements or combined statements and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder. No finance charges or late fees were assessed on the selected statements.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: Procedure 16(a) and 16(b) – Per ESL policy, employees submitting credit card receipts include a form identified as an expense report for the purpose of summarizing and documenting the business purpose for the charges. For the ten cards selected: six statements did not have the related expense report approved as required by policy; one had no expense report attached; one had no credit card statement available; one had a missing itemized invoice; one was missing a receipt; and one had multiple meal receipts on which the attendees and/or business/public purpose were not listed. None of the transactions were subject to bid law.

Procedure 16(c) - No exceptions were identified as a result of this procedure.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Results: We obtained from management the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: We obtained ESL's written policies related to travel and expense reimbursement. No reimbursement rates were listed in ESL's policies.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: For the three persons selected, no reimbursement exceeded the GSA rates, each expense was supported by an original itemized receipt and documentation of the business/public purpose, each expense did not appear to be a loan, pledge, or donation of funds, credit, property, or things of value, and each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Results: We obtained a listing of all contracts in effect during the fiscal period. We obtained management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: For the five contracts selected, a formal written contract supports the arrangement and the amounts paid. No contracts selected were subject to public bid law. All of the selections were for office space leases or rentals. While ESL did not obtain quotes, per se, ESL used a real estate agent to keep the process competitive. There were lease renewals/amendments to the five selected contracts. The scope of the amendments for renewing the leases was in line with the provisions of the contracts and was approved by the appropriate member of management. For the largest payment from each of the five contracts, the supporting invoice and related payment complied with the terms and conditions of the contract. Each of the five contracts was properly approved according to ESL's policy.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: We obtained a listing of employees with their related salaries, and we obtained management's representation that the listing is complete. For the five employees selected, payments were made in strict accordance with the terms and conditions of the pay rate structure. No changes were made during the fiscal period for the five employees selected.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. For procedure 23(a), all employees selected documented their daily attendance and leave in an electronic system maintained by ESL. For procedure 23(b), attendance, vacation, and sick leave were all approved for all employees. For procedure 23(c), we noted ESL maintained electronic leave records on those employees.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. The two largest termination payments made during the fiscal period were made in strict accordance with policy and were approved by management.

25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: We obtained supporting documentation relating to payroll taxes and retirement contributions during the fiscal period. The employee and employer portions of payroll taxes and retirement contributions as well as the required reporting forms were submitted to the applicable agencies by the required deadlines with the exception of one retirement contribution that was made seven days past the required deadline.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: This procedure is not applicable to ESL.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: This procedure is not applicable to ESL.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Results: This procedure is not applicable to ESL.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Results: This procedure is not applicable to ESL.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: This procedure is not applicable to ESL.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: We inquired of management whether ESL had any misappropriations of public funds or assets. Management reported ESL has not had any misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: ESL has posted on its premises and website the notice required by R.S. 24:523.1.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Results: No exceptions were identified as a result of this procedure.

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.

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

A Professional Accounting Corporation

Metairie, LA

December 21, 2017

December 21, 2017

To Whom It May Concern,

Management Responses to the 2017 Statewide AUP report and recommendations:

1. Management will review the purchasing and contracting policies and will make the recommended changes. ESL is not planning to implement a requisition and purchasing system at this time.
4. Management is looking into purchasing services that will allow for the electronic signature of reviewed documents.
6. The remote deposit device has already been installed at 1010 Common St. location to allow for much quicker deposits of incoming checks. For other locations, management has decided it is impractical to install the remote deposit devices or require the next day deposits as long as the log of incoming checks is maintained.
9. Management will review and will adjust the procedures according to the recommendations.
10. Management will review the policy and will adjust according to the recommendations. If the accounting software allows, the person inputting invoices will be blocked from entering the new vendors.
15. Management is implementing the electronic system of inputting receipts, coding, reviewing, and approving credit card charges.
16. Management is implementing the electronic system of inputting receipts, coding, reviewing, and approving credit card charges.
25. Management will strive to have the retirement contributions transferred in required time frame.



Easterseals Louisiana is a non-profit organization whose mission is to assist children and adults with physical and intellectual disabilities achieve independence