

Livingston Activity Center, Inc.
Walker, Louisiana
Annual Financial Statements

As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)
With Supplemental Information Schedules



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Livingston Activity Center, Inc.
Annual Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

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Independent Auditor's Report

To the Board of Directors of the
Livingston Activity Center, Inc.
Walker, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Livingston Activity Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Livingston Activity Center, Inc.
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Opinion

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the Livingston Activity Center, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule listed as Other Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Livingston Activity Center, 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 Livingston Activity Center, Inc.'s internal control over financial reporting and compliance.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

December 20, 2017

Livingston Activity Center, Inc.
Statement of Financial Position
As of June 30, 2017
(with 2016 comparative totals)

	2017		2016
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 161,222	\$	207,621
Investments	152,688		152,050
Receivables :			
Accounts	52,340		51,692
Other	12,898		12,312
Prepaid and Other	29,616		30,074
Total Current Assets	408,764		453,749
Property, Plant, and Equipment:			
Land	205,525		205,525
Construction in Progress	37,929		37,929
Property, Plant and Equipment, Net	267,545		282,313
Total Property, Plant, and Equipment	510,999		525,767
Noncurrent Assets:			
Investments	399,880		399,880
Noncurrent Restricted Assets:			
Cash temporarily restricted for Building	138,333		138,333
Total Assets	\$ 1,457,976	\$	1,517,729
Liabilities			
Current Liabilities			
Accounts Payable	\$ 2,366	\$	5,371
Other Accrued Payables	10,929		17,026
Total Current Liabilities	13,295		22,397
Total Liabilities	13,295		22,397
Net Assets			
Unrestricted	1,306,348		1,356,999
Temporarily Restricted	138,333		138,333
Permanently Restricted	-		-
Total Net Assets	1,444,681		1,495,332
Total Liabilities and Net Assets	\$ 1,457,976	\$	1,517,729

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Statement of Activities
For the year ended June 30, 2017
(with 2016 comparative totals)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2017</u>	<u>2016</u>
Operating Revenues					
Public Support					
Contributions	\$ 5,557	\$ -	\$ -	\$ 5,557	\$ 6,270
Grants	-	-	-	-	-
Group Home Contracts	-	15,080	-	15,080	15,444
Medicaid	-	356,812	-	356,812	396,893
OCDD Contract	-	14,327	-	14,327	4,776
Special Funds - Van Fund	-	-	-	-	-
Service and Fee Revenue	3,419	-	-	3,419	3,627
Program Income	-	84,868	-	84,868	111,286
Investment Income	16,124	-	-	16,124	14,619
Other Revenues	-	3,700	-	3,700	25,934
Total Operating Revenues	<u>25,100</u>	<u>474,787</u>	<u>-</u>	<u>499,887</u>	<u>578,849</u>
Operating Expenses					
Program Services	509,524	-	-	509,524	536,838
Management and General	44,959	-	-	44,959	49,184
Fundraising	-	-	-	-	-
Total Operating Expenses	<u>554,483</u>	<u>-</u>	<u>-</u>	<u>554,483</u>	<u>586,022</u>
Change in Net Assets from Operations	<u>(529,383)</u>	<u>474,787</u>	<u>-</u>	<u>(54,596)</u>	<u>(7,173)</u>
Nonoperating Gains and Losses	3,945	-	-	3,945	-
Net Assets Released from Restrictions	<u>474,787</u>	<u>(474,787)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>(50,651)</u>	<u>-</u>	<u>-</u>	<u>(50,651)</u>	<u>(7,173)</u>
Total Net Assets, Beginning	1,356,999	138,333	-	1,495,332	1,502,505
Total Net Assets, Ending	<u>\$ 1,306,348</u>	<u>\$ 138,333</u>	<u>\$ -</u>	<u>\$ 1,444,681</u>	<u>\$ 1,495,332</u>

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2017
(with 2016 comparative totals)

	2017					2016
	Program Services	Supporting Services			Total	
	Activity Center Services	Management and General	Fundraising	Total		
Expenses						
Salaries and Wages	\$ 230,833	\$ 22,830	\$ -	\$ -	\$ 253,663	\$ 257,154
Client Payroll	53,562	-	-	-	53,562	52,359
Employee Benefits	56,231	5,561	-	-	61,792	68,668
Bad Debts	-	-	-	-	-	-
Cost of Sales - Programs	30,643	-	-	-	30,643	35,751
Depreciation	14,148	903	-	-	15,051	14,785
Insurance	48,216	3,078	-	-	51,294	54,713
Miscellaneous	10,893	2,723	-	-	13,616	18,843
Professional Fees	7,870	1,968	-	-	9,838	12,963
Rent	-	-	-	-	-	-
Repairs and Maintenance	1,722	110	-	-	1,832	2,183
Supplies	-	6,967	-	-	6,967	8,479
Telephone	5,123	327	-	-	5,450	3,906
Utilities	7,707	492	-	-	8,199	8,072
Vehicle Expenses	42,576	-	-	-	42,576	48,146
Total Expenses	\$ 509,524	\$ 44,959	\$ -	\$ -	\$ 554,483	\$ 586,022

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Statement of Cash Flows
For the year ended June 30, 2017
(with 2016 comparative totals)

	2017	2016
Cash Flows From Operating Activities		
Change in Net Assets	\$ (50,651)	\$ (7,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	15,051	14,785
Donated property received	-	-
(Gain) Loss on sale of property	(3,946)	-
Interest and dividends on current investments	(638)	(519)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(1,234)	11,848
(Increase) decrease in other assets	458	1,314
Increase (decrease) in accounts payable	(3,006)	3,680
Increase (decrease) in accrued payables	(6,096)	(1,853)
Net Cash Provided by (Used by) Operating Activities	(50,062)	22,082
Cash Flows From Investing Activities		
Purchases of property	(337)	(9,373)
Insurance proceeds from the casualty loss of property	4,000	-
Purchase of investments	-	(499,880)
Net Cash Provided by (Used) by Investing Activities	3,663	(509,253)
Net Cash Increase (Decrease) in Cash and Cash Equivalents	(46,399)	(487,171)
Cash and Cash Equivalents, Beginning of Year	345,954	833,125
Cash and Cash Equivalents, End of Year	\$ 299,555	\$ 345,954
Supplemental disclosures to cash flow information		
Cash paid during the year for interest	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

Introduction

Livingston Activity Center, Inc., (the Organization) is a nonprofit corporation organized for the purpose of providing work programs for adult developmentally disabled citizens age 22 and older. The program operates on a fiscal year basis and is open for approximately 240 days each year. The “Statement of Fact & Information” for operation of Livingston Activity Center, Inc., stresses the following:

- Each participant enrolled in the day program is afforded the opportunity to develop his or her independence based on individual strengths and needs. Individualized programs are developed for each participant by a team consisting of the participant, a parent or advocate, a direct care worker and any other person that the participant requests at the time of the team staffing. Individualized programs are updated on an annual basis. Each participant is assigned a qualified instructor/trainer relative to the area of work involvement.
- Active treatment and training is provided to participants five days a week, six hours daily, unless a holiday. Transportation is provided to and from the center according to the established transportation zones.
- Each participant will receive training to promote social skills, self-help skills, community awareness, self-preservation, job safety and job performance, with individual plans monitored for progress on monthly, quarterly, and annual basis, or as needed. Wages are to be paid to participants based on his or her client productivity rating and the established standards for a specific job area, such as mobile yard crew, janitorial crew, recycling crew, ceramic crew, greenhouse crew, or wood shop crew.

1. Summary of Significant Accounting Policies

A. Restrictions on Net Assets

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

C. Basis of Accounting

The financial statements of the Livingston Activity Center, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

D. Comparative Information and Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

F. Cash and Cash Equivalents

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are valued at their carrying amount due to their short maturities.

G. Investments

Investments are reported at fair value. Fair values are based on quoted market prices. Investment income classified as operating revenue consists of interest and dividend income on investments and gains approved for use in operations. All other realized and unrealized gains or losses are classified as non-operating activity and are available to support operations in future years and to offset potential market declines. Investments classified as current are available for operations in the next fiscal year.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

H. Inventories and Prepaid Items

All inventories, when held, are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Property and Equipment

Purchases of land, buildings, and other property having a unit cost per established guidelines and a useful life of three or more years are capitalized at cost when they occur. Donated assets are capitalized at the estimated fair value at date of receipt. Property under capital leases is amortized over the lease term. Any gain or loss on sale of land, buildings and other property is reported as a non-operating gain or loss on the statement of activities, when they occur. The Organization maintains a threshold level of \$500 or more for capitalization of property and equipment. All capitalized assets, other than land, are depreciated using the straight line method over their estimated useful lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest expense incurred during a period of construction, less related interest income earned on tax exempt borrowings, is capitalized.

All capitalized assets, other than land, are depreciated using the straight-line method over their estimated useful lives as follows:

<u>Description</u>	<u>Estimate of Useful Lives</u>
Buildings & Renovations	5-40 Years
Equipment – Work Account Assets	5-10 Years
Furniture, Fixtures, and Equipment	5-10 Years
Vehicles	5-10 Years

J. Revenue Recognition

Contributions, which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Product or service revenue is generally recognized upon delivery of the product or services to the customer.

Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

K. Contributed Services and Materials

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. During the year ending June 30, 2017, there were no material contributed services.

Donated materials are recorded at their fair value at the date of the gift. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. There were no such donations for the year ending June 30, 2017.

L. Income Taxes

The Livingston Activity Center, Inc. is a not-for-profit organization. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The three previous year's tax returns remain subject to examination by the Internal Revenue Service.

2. Cash and Cash Equivalents

At June 30, 2017, the Organization has cash and cash equivalents (book balances) as follows:

	2017
Demand Deposits	\$ 299,555
Money Market Deposits	-
Time and Savings Deposits	-
Certificates of Deposit (with terms of 90 days or less)	-
Total Cash and Cash Equivalents	\$ 299,555

Noncurrent restricted assets donated for the proposed new building of \$138,333 (book balance) were included in these deposits. This asset is considered noncurrent, because construction on the building is not expected to occur within twelve months of the date of the statement of financial position.

Livingston Activity Center, Inc. had cash deposits in two banks totaling \$287,615 (bank balance) and cash deposits with Edward Jones totaling \$11,908 (bank balance). Additionally, Livingston Activity Center, Inc. had deposits in nine banks totaling \$552,568 (bank balance) consisting of certificates of deposit held as investments (see Note 3). All of the deposits in banks are secured at June 30, 2017 by \$250,000 of FDIC insurance at each financial institution. At various times during the year, the deposits at financial institutions exceeded the \$250,000 FDIC insurance limit. Additionally, the cash deposits with Edward Jones are not secured by FDIC insurance. At June 30, 2017, \$80,768 in deposits (bank balance) either exceeded FDIC insurance limits or were not covered by FDIC insurance.

3. Investments

The only investments carried by the Organization at June 30, 2017 are the certificates of deposits as described in Note 2. These investments are stated at cost which approximates market value.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

Investment balances at June 30, 2017 consisted of the following:

	<u>2017</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Certificates of deposit with original maturities greater than three months:			
Current:			
Investar Bank	\$ 52,688	07/23/18	1.24%
Ally Bank	50,000	07/24/17	1.20%
American Express Bank	50,000	01/22/18	1.45%
Subtotal - Current Certificates of Deposit	<u>152,688</u>		
Noncurrent:			
Goldman Sachs Bank USA	50,000	07/30/18	1.65%
Discover Bank	50,000	08/13/18	1.70%
American Express Centurion Bank	50,000	07/22/19	2.05%
American Eagle Bank	50,000	02/28/20	1.75%
Bmw Bank of North America	49,880	07/17/20	2.25%
Goldman Sachs Bank USA	50,000	03/16/21	1.75%
Capital One Bank, USA	50,000	08/03/21	1.60%
Capital One Bank, USA	50,000	01/25/22	2.25%
Subtotal - Noncurrent Certificates of Deposit	<u>399,880</u>		
Total Investments	\$ <u>552,568</u>		

At June 30, 2017, \$499,880 of the certificates of deposit were on account with Edward Jones. The investments at Edward Jones also provide the Organization with a line of credit. As part of new regulatory contract requirements through the Health Standards Bureau licensing for the State of Louisiana, access to a line of credit is a requirement for similar organizations that work through Medicaid with NOW waivers. At June 30, 2017, the Organization had unused and available credit of \$323,457.

4. Revenue and Receivables

Total Receivables at June 30, 2017 were as follows:

	<u>2017</u>
Group Home Contracts	\$ 21,990
Medicaid Billings	20,265
Other Accounts Receivable	<u>10,085</u>
Total Accounts Receivable	52,340
Other - IRS Health Insurance Tax Credit	<u>12,898</u>
Total Receivables	<u>\$ 65,238</u>

Accounts Receivables at June 30, 2017 were as follows:

	<u>2017</u>
Accrued Billings	\$ 22,685
Current	4,630
1-30 Days	5,071
31-60 Days	1,656
61-90 Days	1,992
Over 90 days	<u>16,306</u>
Total Accounts Receivable	<u>\$ 52,340</u>

The IRS Health Insurance Tax Credit relates to the prior year's activity.

All of the receivables are deemed to be fully collectible by management. Thus, no allowance for

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

uncollectible amounts is necessary at year end.

Sources of revenue for the year ending June 30, 2017 were as follows:

	<u>2017</u>	
Self Generated:		
Investment Earnings	\$ 16,124	3%
Recycling Programs	80	0%
Vending Machines	3,339	1%
Customer Program Revenues:		
Janitorial Contracts	28,307	5%
Tags	2,659	1%
Wood Stakes	35,534	7%
Yards	<u>18,368</u>	4%
Total Self Generated Funds	<u>104,411</u>	21%
Public Support:		
Contributions	5,557	1%
Medicaid	356,812	71%
Group Home Contracts	15,080	3%
OCDD Contract	14,327	3%
Other	3,700	1%
United Way	-	0%
Van Fund	-	0%
Total Public Support	<u>395,476</u>	79%
Total Sources of Revenue	<u>\$ 499,887</u>	100%

* In the above table all percentages less than one are shown as zero and rounded.

Medicaid revenue in the form of supportive services is earned through three forms of Medicaid billings: the new opportunities waiver (N.O.W.), the supports waiver, and the elderly disabled adult waiver. The new opportunities waiver is billed based on fifteen minute units of service and can apply to both the activity center and the supported independent living programs. The supports waiver is billed in day units and can only be applied to the work programs at the activity center. The supports waiver provides fewer services than the other waiver forms and is utilized as a bridge to partially meet the needs of clients due to the lengthy waiting list for the other waiver forms on a state-wide basis.

The Group Home contract revenue is from one Source, La'trouve, a healthcare services provider. La'trouve clients utilize the services at the activity center for a per diem rate and La'trouve is directly billed based on attendance.

The Activity Center maintains several sources of self-generated revenue primarily through multiple work programs conducted by the clients where revenue earned is put back into the program to fund ongoing supplies and equipment required to continue the program. These work programs include lawn care, producing wood stakes used by surveyors, recycling, and janitorial services. The Activity Center utilizes these forms of self-generated revenue to carry out the mission of the Activity Center while becoming less dependent on external supportive sources.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

5. Property and Equipment

The cost and accumulated depreciation of land, buildings, and other property at June 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 205,525	\$ 205,525
Construction in Progress	37,929	37,929
Buildings and Improvements	450,538	450,539
Furniture and Equipment	29,378	29,368
Vehicles	<u>190,045</u>	<u>214,345</u>
Total cost of assets placed in service	913,415	937,706
Less accumulated depreciation	(402,416)	(411,939)
Property and equipment, net	<u>\$ 510,999</u>	<u>\$ 525,767</u>

Depreciation expense of \$15,051 and \$14,785 was recorded at June 30, 2017 and 2016 respectively. The construction in progress total of \$37,929 includes preliminary construction costs recorded in prior fiscal year for a proposed Activity Center building of \$37,929 more fully described in Note 11 – Commitments and Contingencies.

6. Accrued Vacation

Vacation days are earned at the rate of one day per contract month not to exceed twelve days per contract year for employees with up to 14 years of service, 18 days per year for employees with service of 15 to 20 years, and 21 days of leave for employees with over 20 years of service. Each employee can carry over any unused leave days, not to exceed a maximum of twenty days. Accrued vacation payable was \$4,415 at June 30, 2017.

7. Accounts and Accrued Payables

Accounts and Accrued Payables as of June 30, 2017 were as follows:

	<u>2017</u>
Accounts Payable	\$ 2,366
Accrued Payroll	4,710
Accrued Vacation	4,415
Other Payroll Liabilities	975
401(K) Plan Payable	<u>829</u>
	<u>\$ 13,295</u>

8. Retirement System

Livingston Activity Center, Inc. offers a 401(k) plan to employees after one year of service, which includes at least 1,000 hours of work. The Center offers a four percent employer contribution, which is not contingent on employee contribution. For the year ended June 30, 2017, employer contributions totaled \$7,049.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

9. Restricted Net Assets

Temporarily restricted net assets in the amount of \$138,333 consist of \$138,333 restricted for construction of a new activity center, per requirements of a cooperative agreement with the State of Louisiana, Division of Administration, Facility Planning and Control. Commitments and construction funding requirements are described further in Note 11 – Commitments and Contingencies.

10. Concentrations

The Livingston Activity Center, Inc. receives substantial amounts of its support for its programs of providing day services to challenged individuals, from governmental sources. These revenue streams require the Activity Center to furnish habilitation services to clients to be reimbursed at an amount stipulated in each contract. A significant reduction in the level of support, if it were to occur, may have an effect on programs and activities.

11. Commitments and Contingencies

At June 30, 2017, the State of Louisiana had committed a total of \$415,000 by a cooperative endeavor agreement previously entered into for the construction of a new activity center. Pursuant to the cooperative endeavor agreement, the Livingston Activity Center, Inc., restricted cash funds of \$138,333 for future construction costs. Total construction costs were estimated at \$768,000, per the 2017-2018 State of Louisiana Capital Outlay Request. The balance of funds for construction is to be provided by the Livingston Activity Center, Inc., either as donations or cash provided by the Livingston Activity Center, Inc., and possibly by a pending request for state funding. Subsequent to year end, the Organization entered into an amended cooperative agreement with the State of Louisiana, with a revised commitment of \$538,000 from the State of Louisiana. The balance of funds for construction is to be provided by the Livingston Activity Center, Inc. as previously noted.

During the year ending June 30, 2015, the Livingston Activity Center, Inc. was notified of overlapping services, primarily related to one employee who is no longer employed by the Organization as of January 2015. During the year ending June 30, 2017, Livingston Activity Center, Inc. was notified that a self-audit was required on overlapping services dating back to July 1, 2014 as listed on the current blocked services report within the LAST system. Services that are not able to be resolved by December 21, 2015 are to be reported to the Office of Aging and Adult Services and the Office for Citizens with Development Disabilities. The majority of the overlapping services relate to one employee as noted above. The overlapping agency is a billing agency with timesheets remitted to them for billings. While Livingston Activity Center, Inc. maintains that documentation and support are retained for their billings, these overlapping services are unable to be resolved due to the nature of the overlap. Blocked services may be subject to investigation by the Attorney General's Medicaid Fraud Control Unit, DHH Program Integrity, or the Surveillance and Utilization review Subsystem (SURS) Unit. The Organization completed the required self-audit and reported as required. It is uncertain if any overlapping services prior to July 1, 2014 will be noted and require self-audit at any time in the future. No such notification requiring additional self-audit has been made. It is uncertain if an attempt to recoup any amounts for overlapping services will be made in the form of restitution payments by the employee or either agency billing the overlapping service. No such attempt has been made. Due to the uncertainty, no loss accrual has been recorded. At this time, no estimate can be made for the possible loss or range of loss that the Livingston Activity Center, Inc. might incur, if any. Livingston Activity Center, Inc. maintains that their billings are fully supportable and if a thorough investigation is performed, that no loss will be suffered by them.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2017
(with 2016 summarized comparative information)

Livingston Activity Center, Inc. was not involved in any outstanding litigation or claims at June 30, 2017.

12. Operating Lease

The Organization entered into an operating lease agreement with the CIT Bank, N.A. for a telephone system in April 2016. The life of the lease was five years (sixty months) and the minimum lease payment was \$105.28 per month.

Rental expense under the lease was \$211 for the year ended June 30, 2017 and is recorded within telephone expense. Future minimum lease payments under this lease are \$1,263 for the next three years and \$1,053 for the subsequent year.

13. Subsequent Events

Subsequent events have been evaluated by management through December 20, 2017, the date the financial statements were available for issuance. Subsequent to year end the Organization entered into an amended cooperative agreement with the State of Louisiana, with a revised commitment of \$538,000 from the State of Louisiana as described in Note 11. No other events were noted that require recording or disclosure in the financial statements for the fiscal year ending June 30, 2017.

Other Supplemental Information

Livingston Activity Center, Inc.
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the year ended June 30, 2017

Agency Head Name: Linda Watts, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 44,681
Benefits-Insurance	6,362
Benefits-Retirement	1,787
Employer Paid Medicare & Social Security	2,979
Training	-
Mileage Reimbursement	99
Membership - Community Provider Association	-
	<u>\$ 55,908</u>

See Independent Auditor's Report.

**Livingston Activity Center, Inc.
Schedule of Findings and Responses
For the Year Ended June 30, 2017**

Section II Financial Statement Findings

Finding 2017-I1 Inadequate Segregation of Duties (Material Weakness)

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

Condition: Duties throughout the financial reporting process, which are considered incompatible, are being performed by the Organization's Accountant. Additionally, there is no evidence to support the proper functioning of a compensating control throughout the year. Specifically, Board minutes do not state that there was a Board review of financial data including, but not limited to, budget to actual data at each of the regular Board meetings. The minutes note financial data review at some meetings, but fail to note the review at others and note no budget to actual data review at any meeting.

Cause: Due to the size and nature of the Organization, there are few administrative employees and as such, some incompatible duties are not adequately segregated. Additionally, at some of the Board meetings, financial data was not presented as it was not completed and ready for review.

Effect: Inadequate segregation of duties exposes the Organization to several risks including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. The failure of compensating controls increases the pervasiveness of such risks.

Recommendation: The Organization should attempt to segregate incompatible duties possibly through the use of other Organization personnel or staff and the Organization's outside CPA firm as appropriate. The following specific recommendations are also made:

- The Board should be presented with financial data reports, including but not limited to, profit and loss statements and a balance sheet. The Board should review the financial information presented at board meetings, and periodically review bank reconciliations and other financial information.
- The Board should review and approve the Organization's annual budget and monitor that budget through period comparison of actual results to the budget.

Management's Response: Several of the recommendations from the prior years were partially implemented for fiscal year 2017. The Executive Director will further discuss the remaining recommendations with the accountant and the Board and will implement the recommendations in a timely fashion.

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Section III Federal Award Findings and Questioned Costs

N/A

**Livingston Activity Center, Inc.
Schedule of Prior Year Findings
For the Year Ended June 30, 2017**

Section I Internal Control and Compliance Material to the Financial Statements

Finding 2016-C1 Audit Filing Requirements (Noncompliance)

Criteria: Livingston Activity Center, Inc. is subject to audit requirements as defined in Revised Statutes 24:513(A) for filing financial audit reports. The deadline for filing is six months after the end of the entity's fiscal year. The Organization is also contractually obligated to adhere to audit requirements as defined in the agreements with its grantors. The audit requirements are to adhere to federal and state laws requiring an audit and to complete and submit the audit to the grantor no later than six months after the audit period. The Organization must comply with statutory and contractual deadlines for filing audit reports, but must also ensure that sufficient time is available to complete procedures required in accordance with *Government Auditing Standards*.

Condition: The Organization did not file its audit report by the statutory or contractual deadline. The Organization was granted an extension to file its report through January 31, 2017. The audit report was filed within the extension period.

Cause: Delays in the audit related primarily to, but not limited to, delays caused by the recent devastating flooding to the area.

Effect: The Organization is not in compliance with statutory and contractual deadlines for filing audit reports. However, the Organization was granted an extension to file the audit report until January 31, 2017. The audit report was filed within the extension period.

Recommendation: The Organization should continue to monitor audit requirements, including deadlines. No other recommendations due to the cause of this finding.

Management's Response: The Organization requested and was granted an extension to file its audit report. The Organization will continue to monitor audit requirements.

Current Year Status: Resolved.

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Internal Control

Finding 2016-I1 Inadequate Segregation of Duties (Material Weakness)

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

Condition: Duties throughout the financial reporting process, which are considered incompatible, are being performed by the Organization's Accountant. Additionally, there is no evidence to support the proper functioning of a compensating control throughout the year. Specifically, Board minutes do not state that there was a Board review of financial data including, but not limited to, budget to actual data at each of the regular Board meetings. The minutes detail such review at only some of the meetings.

**Livingston Activity Center, Inc.
Schedule of Prior Year Findings
For the Year Ended June 30, 2017**

Cause: Due to the size and nature of the Organization, there are few administrative employees and as such, some incompatible duties are not adequately segregated. Additionally, at some of the Board meetings, financial data was not presented as it was not completed and ready for review.

Effect: Inadequate segregation of duties exposes the Organization to several risks including, but not limited to, misappropriation of assets and inaccurate or fraudulent financial reporting. The failure of compensating controls increases the pervasiveness of such risks.

Recommendation: The Organization should attempt to segregate incompatible duties possibly through the use of other Organization personnel or staff and the Organization's outside CPA firm as appropriate. The following specific recommendations are also made:

- The Board should be presented with financial data reports, including but not limited to, profit and loss statements and a balance sheet. The Board should review the financial information presented at board meetings, and periodically review bank reconciliations and other financial information.
- The Board should review and approve the Organization's annual budget and monitor that budget through period comparison of actual results to the budget.

Management's Response: Several of the recommendations from the prior years were not implemented for fiscal year 2016. The Executive Director will further discuss the remaining recommendations with the accountant and the Board and implement the recommendations in a timely fashion.

Current Year Status: Previous recommendations have been partially implemented in the current fiscal year and others were not consistently implemented. Furthermore, segregation of duties is a continuing issue with smaller organizations. This finding is reported in the current year as Finding 2017-I1 within the *Schedule of Findings and Responses*.

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

N/A

This schedule was prepared by management.

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

To the Board of Directors of the
Livingston Activity Center, Inc.
Walker, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Livingston Activity Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Livingston Activity Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston Activity Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Livingston Activity Center, Inc.
Page 2

Our consideration of the 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2017-11 that we consider to be material weaknesses.

Compliance and Other Matters

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

Livingston Activity Center, Inc.'s Response to Findings

Livingston Activity Center, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

December 20, 2018