

EASTER SEALS LOUISIANA, INC.

Audits of Financial Statements

June 30, 2018 and 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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 September 25, 2018, 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
September 25, 2018

EASTER SEALS LOUISIANA, INC.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash Used for Operations	\$ 727,639	\$ 121,155
Cash Equivalents Designated for Investments	191,175	135,925
Cash Designated for Capital Projects	487,455	672,197
Accounts Receivable, Net	1,059,548	1,442,325
Prepaid Expenses and Deposits	110,349	26,033
Investments - Board-Designated	1,481,411	1,466,403
Unemployment Trust	110,416	113,505
Beneficial Interest in Asset Held by Others	8,296	8,296
Furniture and Equipment, Net	10,222	30,514
	<hr/>	<hr/>
Total Assets	\$ 4,186,511	\$ 4,016,353
	<hr/>	<hr/>
Liabilities		
Accounts Payable	\$ 37,368	\$ 60,958
Payroll Taxes Payable	11,172	7,912
Other Liabilities	21,108	10,827
Accrued Vacation	25,701	24,906
	<hr/>	<hr/>
Total Liabilities	95,349	104,603
	<hr/>	<hr/>
Net Assets		
Unrestricted Net Assets		
Undesignated	1,931,121	1,637,225
Board-Designated	2,160,041	2,274,525
	<hr/>	<hr/>
Total Net Assets	4,091,162	3,911,750
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Total Liabilities and Net Assets	\$ 4,186,511	\$ 4,016,353
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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, 2018 and 2017

	2018	2017
Support and Revenue		
Program Revenue		
Case Management	\$ 6,303,242	\$ 6,600,229
Mental Health Services	1,638,846	1,339,567
System Point of Entry (SPOE)	1,500,532	1,450,285
Integrated Community Engagement	258,029	255,093
Autism Services	31,040	27,760
Contributions and Other Revenue		
Bingo Income	604,894	-
Net Investment Gain	102,009	136,954
Special Events	101,460	123,938
Contributions	44,465	22,158
Miscellaneous	5,420	306,854
Gain on Sale of Assets	-	16,651
	<hr/>	<hr/>
Total Support and Revenue	10,589,937	10,279,489
	<hr/>	<hr/>
Expenses		
Program Services		
Case Management	5,437,490	5,511,305
Mental Health Services	1,851,897	1,598,211
System Point of Entry (SPOE)	1,371,489	1,327,560
Integrated Community Engagement	257,743	241,000
Direct Services	17,116	19,300
Support Services		
Management and General	759,017	821,652
Fundraising	715,773	118,974
	<hr/>	<hr/>
Total Expenses	10,410,525	9,638,002
	<hr/>	<hr/>
Change in Net Assets	179,412	641,487
	<hr/>	<hr/>
Net Assets, Beginning of Year	3,911,750	3,270,263
	<hr/>	<hr/>
Net Assets, End of Year	\$ 4,091,162	\$ 3,911,750
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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, 2018

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	\$ 4,518,569	\$ 54,367	\$ 183,747	\$ 166,417	\$ 304,141	\$ 324,997	\$ 385,551
Professional Fees and Contracted Services	92,682	4,426	21,434	15,998	6,099	26,211	4,683
Cost of Sales	-	-	-	-	-	-	-
Supplies	64,514	2,027	7,691	5,806	25,598	3,919	3,576
Unemployment	15,129	137	586	600	1,497	1,022	1,551
Telecommunications	76,094	733	7,877	4,791	15,031	7,581	9,177
Postage and Shipping	14,807	-	555	-	288	87	400
Occupancy	253,985	-	27,863	-	86,469	7,641	20,237
Equipment Rent and Maintenance	78,021	212	7,850	737	5,267	4,598	7,752
Printing, Publications, and Media	1,978	-	294	136	-	-	-
Travel and Transportation	230,020	2,624	7,566	7,214	5,453	29,104	12,827
Licenses and Fees	1,800	-	-	600	-	600	-
Conferences and Meetings	1,946	-	-	812	64	48	53
Dues and Memberships	-	-	-	-	-	-	-
Specific Assistance	-	177,177	-	-	-	-	-
Insurance	24,611	10,653	1,130	808	3,273	1,792	2,465
Auditing Fees	-	-	6,196	-	-	-	-
Bad Debt Expense (Recovery)	29,167	-	-	39,533	-	22,220	(8,941)
Staff Training and Development	1,763	-	-	-	275	74	-
Miscellaneous	21,803	4,885	1,696	1,423	2,647	1,555	2,045
Depreciation	10,601	502	536	478	891	843	862
Total Functional Expenses	5,437,490	257,743	275,021	245,353	456,993	432,292	442,238
National Membership Dues	-	-	-	-	-	-	-
Total Functional Expenses with National Membership Dues	\$ 5,437,490	\$ 257,743	\$ 275,021	\$ 245,353	\$ 456,993	\$ 432,292	\$ 442,238

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, 2018

	Program Services			Support Services			
	System Point of Entry (All Regions)	Direct Services	Program Services Totals	Management and General	Fundraising	Support Services Totals	Total
Salaries and Employee Benefits	\$ 1,019,703	\$ -	\$ 6,957,492	\$ 557,625	\$ 116,318	\$ 673,943	\$ 7,631,435
Professional Fees and Contracted Services	12,345	-	183,878	54,156	7,350	61,506	245,384
Cost of Sales	-	-	-	-	479,666	479,666	479,666
Supplies	47,049	40	160,220	12,841	40,132	52,973	213,193
Unemployment	2,919	-	23,441	2,398	275	2,673	26,114
Telecommunications	28,549	-	149,833	8,228	454	8,682	158,515
Postage and Shipping	15,110	-	31,247	1,426	37	1,463	32,710
Occupancy	104,375	-	500,570	30,502	37,000	67,502	568,072
Equipment Rent and Maintenance	32,308	-	136,745	9,541	344	9,885	146,630
Printing, Publications, and Media	467	-	2,875	67	1,918	1,985	4,860
Travel and Transportation	69,192	-	364,000	22,285	2,627	24,912	388,912
Licenses and Fees	-	-	3,000	-	5,017	5,017	8,017
Conferences and Meetings	1,483	-	4,406	5,027	14,964	19,991	24,397
Dues and Memberships	46	-	46	1,039	-	1,039	1,085
Specific Assistance	-	17,037	194,214	-	-	-	194,214
Insurance	5,610	10	50,352	622	900	1,522	51,874
Auditing Fees	19,804	-	26,000	7,256	-	7,256	33,256
Bad Debt Expense	-	-	81,979	-	-	-	81,979
Staff Training and Development	884	-	2,996	-	-	-	2,996
Miscellaneous	8,971	-	45,025	1,039	7,376	8,415	53,440
Depreciation	2,674	29	17,416	1,481	1,395	2,876	20,292
Total Functional Expenses	1,371,489	17,116	8,935,735	715,533	715,773	1,431,306	10,367,041
National Membership Dues	-	-	-	43,484	-	43,484	43,484
Total Functional Expenses with National Membership Dues	\$ 1,371,489	\$ 17,116	\$ 8,935,735	\$ 759,017	\$ 715,773	\$ 1,474,790	\$ 10,410,525

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.
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ 179,412	\$ 641,487
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	20,292	36,024
Bad Debt Expense	81,979	93,430
Net Realized and Unrealized Gain on Investments	(50,233)	(112,838)
Realized Gain from Sale of Land	-	(16,651)
(Increase) Decrease in Operating Assets		
Cash Equivalents Designated for Investments	(55,250)	(64,111)
Cash Designated for Capital Projects	184,742	598
Accounts Receivable	300,798	(482,465)
Prepaid Expenses and Deposits	(84,316)	(1,534)
Unemployment Trust	3,089	(6,408)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(23,590)	(12,707)
Payroll Taxes Payable	3,260	7,912
Other Liabilities	10,281	3,143
Accrued Vacation	795	(129,802)
Net Cash Provided by (Used in) Operating Activities	571,259	(43,922)
Cash Flows from Investing Activities		
Purchases of Investments	(410,940)	(691,473)
Proceeds from Sales of Investments	446,165	742,190
Proceeds from Sale of Land	-	32,869
Net Cash Provided by Investing Activities	35,225	83,586
Net Increase in Cash Used for Operations	606,484	39,664
Cash Used for Operations, Beginning of Year	121,155	81,491
Cash Used for Operations, End of Year	\$ 727,639	\$ 121,155
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, 2018 and 2017.

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, 2018 and 2017 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, 2018 and 2017, the allowance for uncollectible receivables was \$56,143 and \$17,059, 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 August 2016, the FASB issued Accounting Standards Update (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 2016-14 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 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. generally accepted accounting principles (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 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 Services Trust

The Organization self-insures for unemployment expenses via the Unemployment Services Trust (the Trust). The Trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The balance of the Trust is based on the gross balance of the account less an estimate of actual claims. The net recorded balance as of June 30, 2018 and 2017, was \$110,416 and \$113,505, respectively.

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

Note 4. Investments

Investments are summarized as follows at June 30, 2018 and 2017:

2018	Cost	Fair Market Value
Common Stocks	\$ 663,330	\$ 642,927
Equity Mutual Funds	171,839	195,652
Corporate Bonds	359,754	353,760
Bond Mutual Funds	299,991	289,072
Total	\$ 1,494,914	\$ 1,481,411

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

The following schedule summarizes the investment gain shown in the statements of activities and changes in net assets for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and Dividend Income, Net of Expenses	\$ 51,776	\$ 24,116
Unrealized and Realized Gain, Net	50,233	112,838
Net Investment Gain	\$ 102,009	\$ 136,954

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, or Level 1 if a more active market exists for the bonds.

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, 2018 and 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)
2018				
Common Stocks	\$ 642,927	\$ 642,927	\$ -	\$ -
Equity Mutual Funds	195,652	195,652	-	-
Corporate Bonds	353,760	304,444	49,316	-
Bond Mutual Funds	289,072	289,072	-	-
Total	\$ 1,481,411	\$ 1,432,095	\$ 49,316	\$ -

	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2017				
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	\$ -

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. GAAP, 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, 2018 and 2017, 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, 2018 and 2017 are as follows:

		Temporarily Restricted	Permanently Restricted	Total Endowment Fund Net Assets
2018	Unrestricted			
Board-Designated Endowment Fund	\$ 1,672,586	\$ -	\$ -	\$ 1,672,586
Total	\$ 1,672,586	\$ -	\$ -	\$ 1,672,586
2017	Unrestricted			
Board-Designated Endowment Fund	\$ 1,602,328	\$ -	\$ -	\$ 1,602,328
Total	\$ 1,602,328	\$ -	\$ -	\$ 1,602,328

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, 2018 and 2017, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Fund Net Assets
2018				
Net Assets, Beginning of Year	\$ 1,602,328	\$ -	\$ -	\$ 1,602,328
Contributions	-	-	-	-
Investment Earnings				
Unrealized and Realized Gain, Net	50,233	-	-	50,233
Dividends and Interest	35,180	-	-	35,180
Appropriated for Expenditure	-	-	-	-
Investment Expense	(15,155)	-	-	(15,155)
Net Assets, End of Year	\$ 1,672,586	\$ -	\$ -	\$ 1,672,586
2017				
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

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, 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Furniture and Fixtures	\$ 54,396	\$ 54,396
Office Equipment	237,215	237,215
Total Furniture and Equipment	291,611	291,611
Less: Accumulated Depreciation	(281,389)	(261,097)
Total Furniture and Equipment, Net	\$ 10,222	\$ 30,514

Depreciation expense was \$20,292 and \$36,024, for the years ended June 30, 2018 and 2017, 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 \$348 to \$11,480 per month. Rent expense related to operating leases was approximately \$543,000 and \$512,000, for the years ended June 30, 2018 and 2017, 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
2019	\$ 460,223
2020	235,980
2021	184,560
2022	<u>58,060</u>
Total	<u>\$ 938,823</u>

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 5.25%. The interest rate was 5.75% and 5.50% as of June 30, 2018 and 2017, respectively. All unpaid interest and principal is due on April 12, 2019. 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, 2018 and 2017.

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, 2018 and 2017, is as follows:

	2018	2017
Undesignated Net Assets	<u>\$ 1,931,121</u>	<u>\$ 1,637,225</u>
Designated Net Assets		
Designated for Endowment	1,672,586	1,602,328
Designated for Capital Projects	487,455	<u>672,197</u>
Total Designated Net Assets	<u>2,160,041</u>	<u>2,274,525</u>
Total Unrestricted Net Assets	<u>\$ 4,091,162</u>	<u>\$ 3,911,750</u>

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, 2018 and 2017, the fee was \$43,484 and \$47,204, 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 \$-0- and \$3,198 due to the Organization as of June 30, 2018 and 2017, respectively.

Note 14. Significant Contracts and Grants

For the years ended June 30, 2018 and 2017, approximately \$5,849,000 and \$6,099,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary, and approximately \$1,501,000 and \$1,450,000, 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, 2018 and 2017. The Organization incurred contribution expense of \$90,334 and \$85,421, for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

Note 18. Concentrations of Credit Risk

The Organization periodically maintains cash in bank accounts in excess of the insured limit provided of \$250,000 provided for by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

At June 30, 2018, the Organization held approximately \$594,000 in excess of FDIC limits.

Note 19. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 25, 2018, 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, 2018

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, 2018

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	\$ 234,255
Total United States Department of Housing and Urban Development			<u>234,255</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	441,709
	84.181	060750	396,124
	84.181	060751	662,699
Total United States Department of Education			<u>1,500,532</u>
United States Department of Homeland Security			
Passed through State of Louisiana Office of Community Development:			
Disaster Case Management	97.036	PO 2000199240	478,263
Total United States Department of Homeland Security			<u>478,263</u>
Total Expenditures of Federal Awards			<u>\$ 2,213,050</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, 2018

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, 2018.

Note 2. 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, 2018, 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 September 25, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
September 25, 2018

**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, 2018. 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, 2018.

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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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 Professional Accounting Corporation

Metairie, LA
September 25, 2018

EASTER SEALS LOUISIANA, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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?	No
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
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)?	No
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

EASTER SEALS LOUISIANA, INC.
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II. FINANCIAL STATEMENT FINDINGS

None

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

EASTER SEALS LOUISIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

Section II. FINANCIAL STATEMENT FINDINGS

2017-001 Maintenance of Records / Supporting Documentation

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

Status: Resolved.

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.

Status: Resolved.

AGREED-UPON PROCEDURES REPORT

Easter Seals Louisiana, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period of July 1, 2017 - June 30, 2018

To the Board Members of
Easter Seals Louisiana, Inc. and the
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, 2017 through June 30, 2018. ESL's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - 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/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- 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 Statutes 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.
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/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(d), receipts/collections, do not include procedures for cash collections at one location which has a transaction cycle unique from other locations. Policies for 1(f), contracting, do not address the types of services requiring written contracts, the standard terms and conditions for contracts, legal review, nor a monitoring process. Policies for ethics and debt service are not applicable to ESL.

Bank Reconciliations

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained a listing of bank accounts from management and management's representation that the listing is complete. We selected the main operating and four additional bank accounts and obtained bank statements and reconciliations. Criteria 2(a) and 2(c) were met without exception. While performing procedure 2(b), we noted that for the five bank accounts selected, there was no evidence to support that the review had occurred.

Collections

3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

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

4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a. Employees that are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: There are four collection locations, which were all selected for testing. We obtained management's representation that the listing is complete. Each employee responsible for cash has a separate drawer/register. Duties were segregated per the policy. ESL does not allow employees responsible for cash collections to make deposits or post to the general ledger. Employees who reconcile cash collections to the general ledger are not responsible for collecting cash.

5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: Management reported that each person at ESL responsible for collecting cash is bonded.

6. Randomly select two deposit dates for each of the five bank accounts selected for procedure #2 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e. Trace the actual deposit per the bank statement to the general ledger.

Results: Five bank accounts were tested. Two accounts did not have deposits other than funds wired in. While performing procedure 4(d), we noted that of the six deposits tested, three were transfers, and three were not deposited within one day of collection. The three deposits that had exceptions ranged from ten to twenty-one days.

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

7. 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.

8. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were 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. Observe that finance charges and late fees were not assessed on the selected statements.

Results: Five credit cards were selected for testing over two combined statement periods. There was no evidence that the two 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.

9. Using the monthly statements or combined statements selected above, excluding fuel cards, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have ten transactions subject to testing).

For each transaction, observe that it is supported by:

- a. An original itemized receipt that identifies precisely what was purchased;
- b. Written documentation of the business/public purpose; and
- c. Documentation of the individuals participating in meals (for meal charges only).

Results: Five credit cards and a total of twenty-four charges were selected for testing. Original credit card receipts were provided for all charges that were tested. One receipt did not list the business/public purpose. All meal charges tested did list the name of the individual who participated in the meal.

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

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September 26, 2018



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October 11, 2018

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To Whom It May Concern,

Management Responses to the 2018 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.
2. Management will strive to do better documenting our review of bank reconciliations and to be able to provide such documentation.
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.
8. Management will make sure that credit card statements are reviewed and approved by someone other than the documented card holder.
9. Management will be more diligent in requiring a business purpose on receipts from card holders.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Oliveri", is written over a white background.

Joseph C. Oliveri
Chief Financial Officer
Chief Operating Officer



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