

**OPTIONS, INC. AND AFFILIATES
(A NONPROFIT ORGANIZATION)**

COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

OPTIONS, INC. AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Options, Inc. and Affiliate
Hammond, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Options, Inc. and Affiliate (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, 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 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.

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to the Chief Executive Officer on page 20 and the Combining Statements of Financial Position and the Combining Statement of Activities on pages 21 through 23 are 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 Options, Inc. and Affiliate'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 Options, Inc. and Affiliate's internal control over financial reporting and compliance.



Metairie, Louisiana
December 20, 2017

OPTIONS, INC. AND AFFILIATES

**COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,040,773	\$ 1,288,284
Accounts receivable		
Government contracts, less allowance for doubtful accounts	635,710	756,492
Other	167,326	111,583
Unconditional promises to give, less allowance for doubtful accounts	752,357	586,595
Inventory	6,115	5,875
Investments	509,678	511,233
Investments-certificates of deposit	79,933	79,693
Prepaid expenses	120,132	44,179
Total current assets	\$ 3,312,024	\$ 3,383,934
 RESTRICTED DEPOSITS AND RESERVES		
Cash restricted for endowment	\$ 13,526	\$ 13,526
Tenants' security deposits	2,540	1,940
Cash restricted for reserves	3,106	3,290
Total restricted cash	\$ 19,172	\$ 18,756
 LONG-TERM INVESTMENT-Certificate of deposit		
	\$ 4,543	\$ 4,522
 LAND, PROPERTY AND EQUIPMENT		
	\$ 5,689,729	\$ 5,532,465
Less accumulated depreciation and amortization	(2,354,103)	(2,051,951)
	\$ 3,335,626	\$ 3,480,514
 Total assets		
	\$ 6,671,365	\$ 6,887,726

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 128,747	\$ 89,005
Other payables	20,130	21,879
Accrued salaries and payroll taxes	313,218	296,017
Current portion of notes payable	25,897	23,799
Total current liabilities	<u>\$ 487,992</u>	<u>\$ 430,700</u>
LONG TERM LIABILITIES		
Notes payable	\$ 7,743	\$ 33,715
Tenants' security deposits	2,540	1,940
	<u>\$ 10,283</u>	<u>\$ 35,655</u>
 Total Liabilities	 <u>\$ 498,275</u>	 <u>\$ 466,355</u>
 NET ASSETS		
Unrestricted	\$ 5,393,493	\$ 5,741,399
Temporarily restricted	766,071	666,446
Permanently restricted	13,526	13,526
Total net assets	<u>\$ 6,173,090</u>	<u>\$ 6,421,371</u>
 Total liabilities and net assets	 <u>\$ 6,671,365</u>	 <u>\$ 6,887,726</u>

See Notes to Financial Statements.

OPTIONS, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES
JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Revenues and gains				
Contributions and grants	\$ 91,703	\$ 275,762	\$ -	\$ 367,465
Fund-raising income	372,807	-	-	372,807
Federal contracts	6,389,326	-	-	6,389,326
State contracts	381,318	-	-	381,318
Private pay clients	344,946	-	-	344,946
Vocational rehabilitation	8,500	-	-	8,500
Vocational contracts	\$ 733,937			
Less: Cost of services	<u>(517,427)</u>			
Vocational contracts gross profit	216,510	-	-	216,510
Rental revenue	37,051	-	-	37,051
Investment income	(1,264)	-	-	(1,264)
Other income	9,342	-	-	9,342
Net assets released from restrictions				
Expiration of use restriction-Other	<u>176,137</u>	<u>(176,137)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>\$ 8,026,376</u>	<u>\$ 99,625</u>	<u>\$ -</u>	<u>\$ 8,126,001</u>
EXPENSES				
Program Services				
Residential services	\$ 1,352,329	\$ -	\$ -	\$ 1,352,329
Vocational services	2,145,063	-	-	2,145,063
Individualized services	3,169,386	-	-	3,169,386
Housing services	46,304	-	-	46,304
Support Services				
Management and general	1,627,626	-	-	1,627,626
Fund-raising	<u>33,574</u>	<u>-</u>	<u>-</u>	<u>33,574</u>
Total expenses	<u>\$ 8,374,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,374,282</u>
Change in net assets	\$ (347,906)	\$ 99,625	\$ -	\$ (248,281)
Net assets at beginning of year	<u>5,741,399</u>	<u>666,446</u>	<u>13,526</u>	<u>6,421,371</u>
Net assets at end of year	<u>\$ 5,393,493</u>	<u>\$ 766,071</u>	<u>\$ 13,526</u>	<u>\$ 6,173,090</u>

See Notes to Financial Statements.

OPTIONS, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Revenues and gains				
Contributions and grants	\$ 153,851	\$ 636,595	\$ -	\$ 790,446
Fund-raising income	127,803	-	-	127,803
Federal contracts	6,491,739	-	-	6,491,739
State contracts	393,693	-	-	393,693
Private pay clients	399,467	-	-	399,467
Vocational rehabilitation	12,101	-	-	12,101
Vocational contracts	\$ 732,659			
Less: Cost of services	<u>(532,853)</u>			
Vocational contracts gross profit	199,806	-	-	199,806
Rental revenue	37,387	-	-	37,387
Investment income	4,846	-	-	4,846
Gain on disposal of assets	3,700	-	-	3,700
Other income	395	-	-	395
Net assets released from restrictions				
Expiration of time restriction-United Way Services	13,138	(13,138)	-	-
Expiration of use restriction-Other	<u>178,437</u>	<u>(178,437)</u>	-	-
Total revenues, gains, and other support	<u>\$ 8,016,363</u>	<u>\$ 445,020</u>	<u>\$ -</u>	<u>\$ 8,461,383</u>
EXPENSES				
Program Services				
Residential services	\$ 1,337,387	\$ -	\$ -	\$ 1,337,387
Vocational services	2,195,419	-	-	2,195,419
Individualized services	3,075,312	-	-	3,075,312
Housing services	43,465	-	-	43,465
Support Services				
Management and general	1,596,175	-	-	1,596,175
Fund-raising	<u>33,026</u>	-	-	<u>33,026</u>
Total expenses	<u>\$ 8,280,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,280,784</u>
Change in net assets	\$ (264,421)	\$ 445,020	\$ -	\$ 180,599
Net assets at beginning of year	<u>6,005,820</u>	<u>221,426</u>	<u>13,526</u>	<u>6,240,772</u>
Net assets at end of year	<u>\$ 5,741,399</u>	<u>\$ 666,446</u>	<u>\$ 13,526</u>	<u>\$ 6,421,371</u>

See Notes to Financial Statements.

OPTIONS, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services		Total
	Residential Services	Vocational Services	Individualized Services	Housing Services	Management and General	Fund-raising	
Salaries and related expenses:							
Salaries	\$ 779,460	\$ 1,366,062	\$ 2,684,412	\$ -	\$ 754,668	\$ -	\$ 5,584,602
Employee benefits & taxes	80,151	184,196	299,715	-	348,618	-	912,680
Workers' compensation	23,270	28,503	51,561	-	1,575	-	104,909
	<u>\$ 882,881</u>	<u>\$ 1,578,761</u>	<u>\$ 3,035,688</u>	<u>\$ -</u>	<u>\$ 1,104,861</u>	<u>\$ -</u>	<u>\$ 6,602,191</u>
Bank fees	\$ 519	\$ 6,978	\$ -	\$ -	\$ 5,975	\$ -	\$ 13,472
Cost of sales	-	504,527	-	-	12,900	-	517,427
Bad Debt	-	-	-	-	23,909	-	23,909
Bed tax	141,476	-	-	-	-	-	141,476
Crisis intervention	-	-	-	-	24,958	-	24,958
Depreciation	50,820	182,687	-	26,324	42,319	-	302,150
Dues, licenses, and subscriptions	2,520	250	-	-	14,756	-	17,526
Employee compliance	-	-	-	-	35,816	-	35,816
Food and supplies	65,205	2,227	-	-	6,713	-	74,145
Fund raising	-	-	-	-	-	33,574	33,574
Housekeeping supplies	13,776	8,335	4,370	-	-	-	26,481
Interest	694	639	-	-	-	-	1,333
Insurance							
Liability	7,496	10,305	-	-	54,944	-	72,745
Motor vehicle	11,601	80,163	-	-	3,491	-	95,255
Other property	20,300	19,705	-	1,026	7,589	-	48,620
Job development	-	-	-	-	807	-	807
Medical consultants	27,142	-	-	-	185	-	27,327
Medical supplies	21,382	549	-	-	175	-	22,106
Miscellaneous	6	-	-	805	460	-	1,271
Motor vehicle expenses	12,834	137,840	-	-	72	-	150,746
Non capital equipment	2,634	1,250	-	-	14,192	-	18,076
Office supplies	4,650	24,668	7,557	-	34,044	-	70,919
Other resident expenses	12,319	9,112	660	-	1,648	-	23,739
Other supplies	-	1,113	-	8	-	-	1,121
Orientation	-	-	-	-	22,073	-	22,073
Postage	-	13	-	-	10,224	-	10,237
Professional services	-	-	150	6,788	111,204	-	118,142
Rent	-	23,352	-	-	-	-	23,352
Repairs and maintenance	29,139	9,998	-	8,198	25,305	-	72,640
Telephone	7,615	14,770	8,024	-	15,637	-	46,046
Travel and transportation	1,779	9,696	112,539	-	8,194	-	132,208
Seminars and training	-	1,807	398	-	30,140	-	32,345
Utilities	35,541	20,845	-	3,155	27,935	-	87,476
	<u>\$ 469,448</u>	<u>\$ 1,070,829</u>	<u>\$ 133,698</u>	<u>\$ 46,304</u>	<u>\$ 535,665</u>	<u>\$ 33,574</u>	<u>\$ 2,289,518</u>
Less expenses (cost) deducted from							
revenues on statement of activities	-	(504,527)	-	-	(12,900)	-	(517,427)
Total expenses, net of cost of sales	<u>\$ 1,352,329</u>	<u>\$ 2,145,063</u>	<u>\$ 3,169,386</u>	<u>\$ 46,304</u>	<u>\$ 1,627,626</u>	<u>\$ 33,574</u>	<u>\$ 8,374,282</u>

See Notes to Financial Statements.

OPTIONS, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Supporting Services		Total	
	Residential Services	Vocational Services	Individualized Services	Housing Services	Management and General		Fund-raising
Salaries and related expenses:							
Salaries	\$ 810,480	\$ 1,329,107	\$ 2,598,449	\$ -	\$ 711,829	\$ -	\$ 5,449,865
Employee benefits & taxes	87,262	191,526	294,189	-	348,597	-	921,574
Workers' compensation	20,934	25,805	51,974	-	1,953	-	100,666
	<u>\$ 918,676</u>	<u>\$ 1,546,438</u>	<u>\$ 2,944,612</u>	<u>\$ -</u>	<u>\$ 1,062,379</u>	<u>\$ -</u>	<u>\$ 6,472,105</u>
Bank fees	\$ 497	\$ 4,879	\$ -	\$ -	\$ 5,655	\$ -	\$ 11,031
Cost of sales	-	520,053	-	-	12,800	-	532,853
Bad Debt	-	-	-	-	18,934	-	18,934
Bed tax	140,698	-	-	-	-	-	140,698
Crisis intervention	-	-	-	-	36,090	-	36,090
Depreciation	23,037	221,078	-	26,324	44,711	-	315,150
Dues, licenses, and subscriptions	2,945	-	-	-	12,925	-	15,870
Employee compliance	-	-	-	-	24,999	-	24,999
Food and supplies	65,636	2,541	-	-	7,452	-	75,629
Fund raising	-	-	-	-	-	33,026	33,026
Housekeeping supplies	14,166	7,822	3,875	-	-	-	25,863
Interest	1,130	898	-	-	-	-	2,028
Insurance							
Liability	9,006	11,091	-	-	65,225	-	85,322
Motor vehicle	-	98,398	-	-	2,251	-	100,649
Other property	16,061	12,903	-	999	5,043	-	35,006
Job development	-	-	-	-	3,944	-	3,944
Medical consultants	21,130	-	-	-	-	-	21,130
Medical supplies	24,045	84	-	-	147	-	24,276
Miscellaneous	4	2,609	203	5,218	268	-	8,302
Motor vehicle expenses	-	159,087	-	-	-	-	159,087
Non capital equipment	2,288	1,596	-	-	16,256	-	20,140
Office supplies	5,735	34,608	8,735	-	32,030	-	81,108
Other resident expenses	16,480	278	595	-	814	-	18,167
Other supplies	-	4,510	-	510	-	-	5,020
Orientation	-	-	-	-	19,100	-	19,100
Postage	-	-	-	-	10,080	-	10,080
Professional services	-	1,165	1,900	2,330	143,402	-	148,797
Rent	-	23,220	-	-	-	-	23,220
Repairs and maintenance	27,761	12,214	-	5,406	13,035	-	58,416
Telephone	9,040	15,073	10,064	-	23,254	-	57,431
Travel and transportation	3,103	13,109	104,957	-	2,742	-	123,911
Seminars and training	-	1,804	371	-	13,673	-	15,848
Utilities	35,949	20,014	-	2,678	31,766	-	90,407
	<u>\$ 418,711</u>	<u>\$ 1,169,034</u>	<u>\$ 130,700</u>	<u>\$ 43,465</u>	<u>\$ 546,596</u>	<u>\$ 33,026</u>	<u>\$ 2,341,532</u>
Less expenses (cost) deducted from							
revenues on statement of activities	-	(520,053)	-	-	(12,800)	-	(532,853)
Total expenses, net of cost of sales	<u>\$ 1,337,387</u>	<u>\$ 2,195,419</u>	<u>\$ 3,075,312</u>	<u>\$ 43,465</u>	<u>\$ 1,596,175</u>	<u>\$ 33,026</u>	<u>\$ 8,280,784</u>

See Notes to Financial Statements.

OPTIONS, INC. AND AFFILIATES

**COMBINED STATEMENTS OF CASH FLOWS
JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (248,281)	\$ 180,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	302,150	315,150
(Gain) loss on sale of assets	-	(3,700)
Unrealized loss on investments	13,248	7,222
(Increase) decrease in operating assets		
Accounts receivable	65,039	145,607
Promises to give	(165,762)	(472,269)
Accrued interest	-	213
Prepaid expenses	(75,953)	15,772
Inventory	(240)	1,080
Increase (decrease) in operating liabilities:		
Accounts payable	39,742	33,676
Other payables	(1,749)	(3,772)
Accrued salaries and payroll taxes	17,201	(347,458)
Tenants' security deposits	600	-
Net cash provided by operating activities	\$ (54,005)	\$ (127,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	\$ (11,952)	\$ (378)
Change in restricted cash and cash equivalents	(416)	(3,290)
Proceeds from the sale of assets	-	2,800
Payments for land, property and equipment	(157,264)	(209,321)
Net cash used in investment activities	\$ (169,632)	\$ (210,189)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments	\$ (23,874)	\$ (23,180)
Net cash provided by financing activities	\$ (23,874)	\$ (23,180)
Net increase (decrease) in cash and cash equivalents	\$ (247,511)	\$ (361,249)
Beginning cash and cash equivalents	1,288,284	1,649,533
Ending cash and cash equivalents	\$ 1,040,773	\$ 1,288,284

See Notes to Financial Statements.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Options, Inc. is a private nonprofit corporation which provides quality services to the needs of people with disabilities and their families. Options, Inc. has provided quality services since 1973 in the Hammond, Louisiana area. These services include the following:

Residential Services

Residential services provides a home to twenty-four individuals with 24-hour, awake staff who provide training and support. Each home is located in a residential setting. The purpose is to provide individualized training, support, and a warm and nurturing home-like living arrangement.

Vocational Services

The purpose of vocational services is to allow persons with disabilities to develop work skills and to offer a variety of employment options, which help individuals, maximize their potential. Options, Inc. staff works with each individual to find a “job match” based on an interest and skills inventory. We assess the needs and wants of the individual, as well as the needs and wants of a business and match those needs to ensure the right fit.

Individualized Services

Individualized services include the following types of services:

Children’s Choice

The purpose of this service is to provide supplemental support services to children with disabilities, from birth to 18 years of age, who currently live at home with their families or will leave an institutional setting to return home. Services provided include: family support, crisis support, family training, diapers, home ramps, bathroom modifications, general adaptations and vehicle lifts.

Independent Living

The purpose of the Independent Living Program is to provide the supports needed for each individual with a disability to live in the community as independently as possible. The Independent Living Program offers individuals personalized living choices based on their needs and wants.

Personal Care

The purpose of the Personal Care Program is to help meet the needs of people with disabilities who live in their own home or apartment by providing assistance with daily living. We provide assistance to the primary caregiver as needed. Services may be provided to people of all ages with a disability on either an emergency or planned basis in the person’s home.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nature of the Organization (continued)

Housing Services

C'est Tres Bon!, Inc. which is an affiliate of Options, Inc. is a nonprofit corporation organized under the State of Louisiana. The affiliate was formed to design, develop, construct, own and manage housing and related facilities in Tangipahoa Parish, Louisiana and surrounding communities to serve persons with disabilities.

Foundation to Ensure the Future of Options, Inc., also an affiliate of Options, Inc., is a nonprofit corporation organized under the State of Louisiana. The affiliate was formed to generally support Options, Inc. and its clients by seeking and soliciting support, gifts and donations from individuals, corporations (businesses), and charitable foundations. The affiliate will invest the funds received and distribute those funds for the support of Options, Inc.

Basis of Presentation

The combined financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, Not-for-Profit Entities. 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 accompanying combined financial statements include the accounts of Options, Inc. and its affiliated organizations, C'est Tres Bon!, Inc. and Foundation to Ensure the Future of Options, Inc. All significant inter-organization transactions and balances have been eliminated in consolidation.

Basis of Accounting

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory is carried at cost and consists of janitorial and office supplies.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivables are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Allowance for doubtful accounts was \$10,000 and \$0 for the years ended June 30, 2017 and 2016, respectively.

Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of future cash flows.

Concentrations

The Organization's primary source of revenue is Medicaid (Title XIX) revenue. For the fiscal year ended June 30, 2017 and 2016, \$6,389,326 and \$6,491,739, or 75% and 76% of the Organization's total gross revenue was from Title XIX. Additionally, \$733,937 and \$732,659 9% and 9% of the total gross revenue was from small business contracts. The Organization also had private pay client revenue of \$344,946 and \$339,467 or 4% and 5% of total gross revenue. The contribution revenue was \$564,510 and \$437,210 or 7% and 5% of total gross revenue. The Organization also had state contracts in the amount of \$381,318 and \$399,467 or 4% and 5% of gross revenue. The remaining \$45,129 and \$58,249 or 1% and 1% of the total gross revenue was from various activities, including vocational rehabilitation, HUD housing, investment related income, and other miscellaneous income.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimated and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates in the near term.

Expense Allocation

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

Income Tax Status

The Organization is a nonprofit organization and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to financial statements. The Organization's Federal Exempt Information Returns (Form 990) for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Fair Value

Accounting Standard Codification (ASC) *Fair Value Measurements* establishes a framework for measuring fair value in accordance with Generally Accepted Accounting Principles (GAAP) and disclosures about the fair value measurements. The valuation hierarchy is based upon the reliability of inputs to the valuation of an asset or liability on the measurement date. The three levels of the fair value hierarchy are described below:

LEVEL 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

LEVEL 2

Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEVEL 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the standard. The three valuation techniques are as follows:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach – Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

Investments

The Organization holds investments in certificates of deposits and government securities and carries such investments at current appraised values (Level 2 measurements). Investment income is reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful life of the assets. State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Support and Revenue

Options, Inc. received grant and contract support primarily from the State Department of Health and Hospitals, Office for Citizens with Developmental Disabilities, and Louisiana Rehabilitation Services. Support received from those grants and contracts is recognized when it is earned. The Organization also received client fees and Medicaid income for billable client services. Support, fees and income received from these sources is recognized when it is earned.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental Income and Deferred Rent

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the property are operating leases.

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable.

The Organization uses the direct write-off method to provide for uncollectible accounts. The use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Tenants' Security Deposits

Tenants' security deposits are held in a separate bank account in the name of the Organization. At June 30, 2017 and 2016, the Organization had \$2,540 in tenant security deposits.

NOTE 2. CASH AND CASH EQUIVALENTS

Options, Inc. maintains several bank accounts at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000. Cash exceeded FDIC limits at June 30, 2017 and 2016 by \$725,980 and \$981,106, respectively. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

NOTE 3. INVESTMENTS

For the years ended June 30, 2017 and 2016, the Organization had investments as follows:

Certificates of deposit held by institutions:	2017	2016
Yields .65% per annum, due October 1, 2017	\$ 79,933	\$ 79,693
Yields .80% per annum, due March 26, 2020	3,543	3,522
Yields .45% per annum, due July 17, 2018	1,000	1,000
	<u>\$ 84,476</u>	<u>\$ 84,215</u>
Government securities	508,316	510,443
Stock	1,362	790
Total investments	<u>\$ 594,154</u>	<u>\$ 595,448</u>

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3. INVESTMENTS (continued)

A summary of return on investments consists of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Government securities		
Unrealized loss	\$ (13,737)	\$ (7,222)
Interest and dividends	12,473	12,068
Total return on investment	<u>\$ (1,264)</u>	<u>\$ 4,846</u>

NOTE 4. FAIR VALUE

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value for the year ended June 30, 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)
<u>Recurring fair value measurements</u>				
Government Securities:				
Franklin Adj US Gov Securities Fd A	\$ 246,846	\$ 246,846	\$ -	\$ -
Franklin US Government Securities A	261,448	261,448	-	-
Stock:				
First Guaranty Bancshares, Inc.	1,362	1,362	-	-
Total	<u>\$ 509,656</u>	<u>\$ 509,656</u>	<u>\$ -</u>	<u>\$ -</u>

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value for the year ended June 30, 2016:

	Total Assets Measured At Fair Value	Based On		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<u>Recurring fair value measurements</u>				
Government Securities:				
Franklin Adj US Gov Securities Fd A	\$ 246,507	\$ 246,507	\$ -	\$ -
Franklin US Government Securities A	263,936	263,936	-	-
Stock:				
First Guaranty Bancshares, Inc.	790	790	-	-
Total	<u>\$ 511,233</u>	<u>\$ 511,233</u>	<u>\$ -</u>	<u>\$ -</u>

Interest income from all sources totaled \$12,473 and \$12,068 for the years ended June 30, 2017 and 2016, respectively.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5. UNCONDITIONAL PROMISES TO GIVE

At June 30, 2017 and 2016, the Organization received unconditional promises to give.

The amounts due from contribution sources consist of the following:

	<u>2017</u>	<u>2016</u>
Vocational program support	\$ 100,000	\$ 110,000
Less: Allowance for uncollectible amount	-	-
	<u>\$ 100,000</u>	<u>\$ 110,000</u>

The promises to give related to the annual fundraising campaign are as follows:

	<u>2017</u>	<u>2016</u>
In one year or less	\$ 225,274	\$ 159,550
Between one and five years	542,320	475,910
	<u>767,594</u>	<u>635,460</u>
Less discounts to net present value	(80,902)	(72,084)
Less allowance for uncollectible promises to give	<u>(34,335)</u>	<u>(86,781)</u>
	<u>\$ 652,357</u>	<u>\$ 476,595</u>

Promises to give receivable in more than one year are discounted at 5%.

	<u>2017</u>	<u>2016</u>
Contribution sources	\$ 100,000	\$ 110,000
Annual fundraising campaign	652,357	476,595
Total promises to give	<u>\$ 752,357</u>	<u>\$ 586,595</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 635,474	\$ 635,474
Buildings & improvements	3,580,826	3,537,089
Furniture & fixtures	236,656	238,670
Software	48,100	48,101
Vehicles	1,188,673	1,073,131
	<u>\$ 5,689,729</u>	<u>\$ 5,532,465</u>
Less: Accumulated depreciation	<u>(2,354,103)</u>	<u>(2,051,951)</u>
	<u>\$ 3,335,626</u>	<u>\$ 3,480,514</u>

Depreciation expense totaled \$302,150 and \$315,150 for the years ended June 30, 2017 and 2016, respectively.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7. LEASES

Options, Inc. has three leases that are cancelable with one month's notice by either party. The Organization also had a monthly booth rental fee of \$100 a month that began on February 1, 2017 for client sales. For the years ending June 30, 2017 and 2016 the total lease expense was \$23,352 and \$23,200, respectively.

NOTE 8. ACCRUED LEAVE

Options, Inc.'s employees can earn paid vacation after successful completion of six months initial period of employment. Vacation and leave accrue at various rates depending upon length of service and hours worked per month, as follows:

<u>Employee Classification</u>	<u>Accrual Rate</u>
40 hour employees	6.67 to 14 hours per month up to a maximum of 120 hours
35-39 hour employees	5.8 to 12.25 hours per month up to a maximum of 120 hours

Accrued leave recorded at June 30, 2017 and 2016 was \$75,497 and \$82,789, respectively.

NOTE 9. CAFETERIA PLAN

The Organization has a "Section 125" employee benefits plan, which is also referred to as a "Cafeteria" plan. Employer contributions into this plan are based on length of service. A new employee becomes eligible to participate in the plan after 90 days. Employees can use the employer contribution for term life insurance, health insurance, dependent care and medical expenses.

NOTE 10. LINE OF CREDIT

The Organization has a \$250,000 line of credit bearing interest at 4.75% on any outstanding balances at June 30, 2017, and is secured by all present and future deposit accounts the Organization has with the lender. As of June 30, 2017 and 2016, \$250,000 is available. There was no interest expense for the years ended June 30, 2017 and 2016.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 11. NOTES PAYABLE

A summary of notes payable as of June 30, 2017, is as follows:

2.9% note payable to Whitney Bank, payable \$791 per month, principal and interest. The loan is collateralized by one of the Organization's vehicles.	\$ 16,935
2.9% note payable to Whitney Bank, payable \$1,310 per month, principal and interest. The loan is collateralized by one of the Organization's vehicles.	<u>16,705</u>
	<u>\$ 33,640</u>
Less: current portion	<u>25,897</u>
Total long term liabilities	<u>\$ 7,743</u>

Maturities of long term debt for the next five years are as follows:

Year Ending	<u>Amount</u>
<u>June 30</u>	
2019	<u>\$ 7,743</u>
	<u>\$ 7,743</u>

NOTE 12. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017 and 2016, Options, Inc. had \$766,071 and \$666,446 respectively, in temporarily restricted net assets. Temporarily restricted net assets are available for the following purposes or periods:

	2017	2016
Vocational program support	\$ 113,714	\$ 189,851
Pledges	<u>652,357</u>	<u>476,595</u>
	<u>\$ 766,071</u>	<u>\$ 666,446</u>

NOTE 13. PERMANENTLY RESTRICTED NET ASSETS

The endowment fund is a permanently restricted investment fund from the donor's restrictions that only the interest from the investment may be used for operations of Options, Inc. At June 30, 2017 and 2016, the restricted balance in this fund was \$13,526.

NOTE 14. PENSION PLAN

Employees of the Organization may participate in a 403(b) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. Employees may elect to defer a portion of their annual salary subject to Internal Revenue Service limits. The Organization matched up to 2% of the employees' annual salary. Employer contributions for the years ended June 30, 2017 and 2016 was \$14,310 and \$14,180, respectively.

OPTIONS, INC. AND AFFILIATES
COMBINED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 15. COMPENSATION

The Board of Directors serves Options, Inc. and Affiliates without compensation, except for the Chief Executive Officer, Sylvia Bush, who is also the President of the Board. Her salary and benefits for the year ended June 30, 2017 and 2016 was \$103,413 and \$92,891, respectively.

NOTE 16. CONTINGENCIES

The Organization is named as a defendant in a lawsuit in which family members are alleging that wrongful injuries occurred to a client in their care. The estate of the client is claiming that the Organization is liable for damages resulting from their care of this client. Management believes the losses, if any, will be covered by insurance coverage in force at the time of the incident. Management asserts that Options, Inc. will vigorously defend itself in this matter.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events were evaluated through December 20, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

OPTIONS, INC. AND AFFILIATES

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR

FOR THE YEAR ENDED JUNE 30, 2017

Agency Head Name: Sylvia Bush, Executive Director

<u>Purpose:</u>	<u>Amount</u>
Salary	\$ 95,262
Benefits-insurance	6,282
Benefits-retirement	1,869
Total	<u>\$ 103,413</u>

OPTIONS, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	Options, Inc.	C'est Tres Bon!, Inc.	Foundation to Ensure the Future of Options, Inc.	Subtotal	Eliminations	Combined
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 976,555	\$ 52,618	\$ 11,600	\$ 1,040,773	\$ -	\$ 1,040,773
Accounts receivable						
Government contracts	635,710	-	-	635,710	-	635,710
Other	152,329	14,997	-	167,326	-	167,326
Unconditional promises to give	752,357	-	-	752,357	-	752,357
Inventory	6,115	-	-	6,115	-	6,115
Investments	509,678	-	-	509,678	-	509,678
Investments-certificates of deposit	79,933	-	-	79,933	-	79,933
Prepaid expenses	120,132	-	-	120,132	-	120,132
Due from C'est Tres Bon!, Inc.	38,156	-	-	38,156	38,156	-
Total current assets	<u>\$ 3,270,965</u>	<u>\$ 67,615</u>	<u>\$ 11,600</u>	<u>\$ 3,350,180</u>	<u>\$ 38,156</u>	<u>\$ 3,312,024</u>
RESTRICTED ASSETS						
Cash restricted for endowment	\$ 13,526	\$ -	\$ -	\$ 13,526	\$ -	\$ 13,526
Tenants' security deposits	-	2,540	-	2,540	-	2,540
Cash restricted for reserves	-	3,106	-	3,106	-	3,106
Total restricted cash	<u>\$ 13,526</u>	<u>\$ 5,646</u>	<u>\$ -</u>	<u>\$ 19,172</u>	<u>\$ -</u>	<u>\$ 19,172</u>
LONG-TERM INVESTMENT-Certificate of deposit	\$ -	\$ 4,543	\$ -	\$ 4,543	\$ -	\$ 4,543
LAND, PROPERTY AND EQUIPMENT						
Land, property and equipment	\$ 4,926,464	\$ 763,265	\$ -	\$ 5,689,729	\$ -	\$ 5,689,729
Less accumulated depreciation and amortization	(2,277,324)	(76,779)	-	(2,354,103)	-	(2,354,103)
	<u>\$ 2,649,140</u>	<u>\$ 686,486</u>	<u>\$ -</u>	<u>\$ 3,335,626</u>	<u>\$ -</u>	<u>\$ 3,335,626</u>
Total assets	<u>\$ 5,933,631</u>	<u>\$ 764,290</u>	<u>\$ 11,600</u>	<u>\$ 6,709,521</u>	<u>\$ 38,156</u>	<u>\$ 6,671,365</u>

OPTIONS, INC. AND AFFILIATES
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(CONTINUED)

	Options, Inc.	C'est Tres Bon!, Inc.	Foundation to Ensure the Future of Options, Inc.	Subtotal	Eliminations	Combined
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 116,113	\$ 12,634	\$ -	\$ 128,747	\$ -	\$ 128,747
Other payables	20,130	-	-	20,130	-	20,130
Accrued salaries and payroll taxes	313,218	-	-	313,218	-	313,218
Due to Options, Inc.	-	38,156	-	38,156	38,156	-
Current portion of notes payable	25,897	-	-	25,897	-	25,897
Total current liabilities	<u>\$ 475,358</u>	<u>\$ 50,790</u>	<u>\$ -</u>	<u>\$ 526,148</u>	<u>\$ 38,156</u>	<u>\$ 487,992</u>
LONG TERM LIABILITIES						
Notes payable	\$ 7,743	\$ -	\$ -	\$ 7,743	\$ -	\$ 7,743
Tenants' security deposits	-	2,540	-	2,540	-	2,540
Total long term liabilities	<u>\$ 7,743</u>	<u>\$ 2,540</u>	<u>\$ -</u>	<u>\$ 10,283</u>	<u>\$ -</u>	<u>\$ 10,283</u>
Total liabilities	<u>\$ 483,101</u>	<u>\$ 53,330</u>	<u>\$ -</u>	<u>\$ 536,431</u>	<u>\$ 38,156</u>	<u>\$ 498,275</u>
NET ASSETS						
Unrestricted	\$ 4,670,933	\$ 710,960	\$ 11,600	\$ 5,393,493	\$ -	\$ 5,393,493
Temporarily restricted	766,071	-	-	766,071	-	766,071
Permanently restricted	13,526	-	-	13,526	-	13,526
Total net assets	<u>\$ 5,450,530</u>	<u>\$ 710,960</u>	<u>\$ 11,600</u>	<u>\$ 6,173,090</u>	<u>\$ -</u>	<u>\$ 6,173,090</u>
Total liabilities and net assets	<u>\$ 5,933,631</u>	<u>\$ 764,290</u>	<u>\$ 11,600</u>	<u>\$ 6,709,521</u>	<u>\$ 38,156</u>	<u>\$ 6,671,365</u>

OPTIONS, INC. AND AFFILIATES
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Options, Inc.	C'est Tres Bon!, Inc	Foundation to Ensure the Future of Options, Inc.	Subtotal	Eliminations	Combined
REVENUES, GAINS AND OTHER SUPPORT						
Revenues and gains						
Contributions and grants	\$ 367,465	\$ -	\$ -	\$ 367,465	\$ -	\$ 367,465
Fund-raising income	372,807	-	-	372,807	-	372,807
Federal contracts	6,389,326	-	-	6,389,326	-	6,389,326
State contracts	381,318	-	-	381,318	-	381,318
Private pay clients	344,946	-	-	344,946	-	344,946
Vocational rehabilitation	8,500	-	-	8,500	-	8,500
Vocational contracts	\$ 733,937					
Less: Cost of services	<u>(517,427)</u>					
Vocational contracts gross profit	216,510	-	-	216,510	-	216,510
Rental revenue	-	37,051	-	37,051	-	37,051
Investment income	(1,285)	21	-	(1,264)	-	(1,264)
Other income	7,325	2,017	-	9,342	-	9,342
Total revenues, gains, and other support	<u>\$ 8,086,912</u>	<u>\$ 39,089</u>	<u>\$ -</u>	<u>\$ 8,126,001</u>	<u>\$ -</u>	<u>\$ 8,126,001</u>
EXPENSES						
Program Services						
Residential services	\$ 1,352,329	\$ -	\$ -	\$ 1,352,329	\$ -	\$ 1,352,329
Vocational services	2,145,063	-	-	2,145,063	-	2,145,063
Individualized services	3,169,386	-	-	3,169,386	-	3,169,386
Housing services	-	46,304	-	46,304	-	46,304
Support Services						
Management and general	1,621,889	5,737	-	1,627,626	-	1,627,626
Fund-raising	33,574	-	-	33,574	-	33,574
Total expenses	<u>\$ 8,322,241</u>	<u>\$ 52,041</u>	<u>\$ -</u>	<u>\$ 8,374,282</u>	<u>\$ -</u>	<u>\$ 8,374,282</u>
Change in net assets	\$ (235,329)	\$ (12,952)	\$ -	\$ (248,281)	\$ -	\$ (248,281)
Net assets at beginning of year	<u>5,685,859</u>	<u>723,912</u>	<u>11,600</u>	<u>6,421,371</u>	<u>-</u>	<u>6,421,371</u>
Net assets at end of year	<u>\$ 5,450,530</u>	<u>\$ 710,960</u>	<u>\$ 11,600</u>	<u>\$ 6,173,090</u>	<u>\$ -</u>	<u>\$ 6,173,090</u>

**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



**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
Options, Inc. and Affiliates
Hammond, 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 combined financial statements of Options, Inc. and Affiliates (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2017 and 2016, and the related combined statements of activities, 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 combined financial statements, we considered Options Inc. and Affiliate'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 Options Inc. and Affiliate'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 Options Inc. and affiliate's combined 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



Metairie, Louisiana
December 20, 2017

**OPTIONS, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting

- Material Weakness (es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness _____ Yes X None reported

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards

The Organization did not expend more than \$750,000 in federal awards during the year ended June 30, 2017, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

**Section II – Internal Control over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control over Financial Reporting

There were no findings noted during the audit for the year ended June 30, 2017 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings of internal control and compliance during the audit regarding federal awards for the year ended June 30, 2017.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

OPTIONS, INC. AND AFFILIATES
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2017

**Section I – Internal Control over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control over Financial Reporting

There were no findings regarding internal controls over financial reporting reported during the audit for the financial statements for the year June 30, 2016.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the financial statements for the year June 30, 2016.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings of internal control and compliance during the audit regarding federal awards for the year ended June 30, 2016.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2016.

**OPTIONS, INC. AND AFFILIATES
MANAGEMENT'S CORRECTIVE ACTION PLAN**

YEAR ENDED JUNE 30, 2017

**Section I - Internal Control over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control over Financial Reporting

No material weaknesses were reported during the audit of the financial statements for the year ended June 30, 2017.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2017.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the year ended June 30, 2017.

Section II - Internal Control and Compliance Material to Federal Awards

The Organization did not expend more than \$750,000 in federal awards during the year ended June 30, 2017, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

STATEWIDE AGREED-UPON PROCEDURES REPORT



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

The Board of Directors
Options, Inc.
Hammond, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of Options, Inc. , (a nonprofit organization), and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Options, Inc.'s compliance with certain laws, regulations and best practices during the fiscal year ended June 30, 2017. Management of Options, Inc. is responsible for its financial records and compliance with applicable laws and regulations. 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. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget:

Written policies and procedures were obtained from management regarding budgeting and the written policies and procedures address the preparation, adoption, monitoring and amendment of 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:

Written policies and procedures were obtained for the purchasing process and the purchase policies do address the initiation of purchases by use of purchase requisition forms. Employees and administrators can request that material or services be purchased. The employee or administrator initiating a purchase must complete a purchase requisition form. The purchase requisition form requires the approval of the Program Director, Finance Director and Chief Executive Officer. If the Chief Executive Officer initiates a purchase, then the Program Director or Vocational Director performs the approval function. The written policies and procedures do address how vendors are added to the approved vendor list, the preparation and approval process of check requests and vendor invoices.

c) **Disbursements**, including processing, reviewing, and approving:

The accounting policies and procedures of Options, Inc. for disbursements were obtained and addressed the processing, reviewing and approval of disbursements. The policies and procedures require a purchase requisition form to initiate a purchase. The purchase requisition form is initiated by an employee and is approved by the Program Director, Chief Financial Officer and the Chief Executive Officer. The process requires that the approved purchase requisition and vendor invoices are required to process payments of vendors. Vendor invoices are matched to approved purchase requisition forms. The purchase package is approved by the Chief Financial Officer and the Chief Executive Officer. Checks require two signatures or the signature of the Chief Executive Officer. In the case where the Chief Executive Officer requisitions expenditure, then the Program Director and the Vocational Director signs the checks and approves the requisition.

d) **Receipts**, including receiving, recording, and preparing deposits:

Written policies and procedures were obtained from the management of Options for the cash receipts process and the policies and procedures do address receiving, recording and preparation of deposits. Options, Inc. uses a point of sale cash register system for its thrift store operations. The garden center and vocation programs use a cash register in each location to control collections. The administrative office prepares a Receipt Summary Form for other collections received through the mail and any other source. The Receipt Summary Form is an entry log for every collection amount received. The Receipt Summary Form is supported by copies of every check received, the remittance advice, billing invoice and any other support received as part of the collection. The Form is signed by the person responsible for the collection and a representative from the accounting office as evidence that the collections and the amounts deposited are reconciled. The summary tapes and "z" tapes from the cash registers and the point of sale system or also reconciled by the person responsible for the collections and a representative from the accounting office. After the reconciliation is completed, the deposits are prepared and amounts are entered into the accounting system by the staff accountant.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked:

Written policies and procedures for payroll and personnel were obtained and do address payroll processing process, the review and approval of time and attendance records, including leave and overtime worked. Payroll is processed on a biweekly basis. Employee manuals are provided for each employee that details the leave policy and other terms of employment. Time and attendance records are maintained on an electronic timekeeping system.

- 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:

Written policies and procedures for contracting were obtained and do address the types of services requiring written contracts, standard terms and conditions, the criteria requiring legal review, contract approval process and monitoring. The Board of Directors provides authority to the Chief Executive Officer to execute contracts on behalf of the organization. Contracts involving significant liability risks or for value in excess of \$10,000 will be reviewed by the organization's legal counsel.

- g) **Credit Cards** (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage:

Written policies and procedures for credit cards and P-cards were obtained and do address the how credit cards are controlled, allowable business uses, documentation requirements, required approvers and monitoring card usage procedures.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers:

Written policies and procedures were obtained regarding travel and expense reimbursement. The policies address types of expenses that are reimbursable by Options, dollar thresholds by category of expense, documentation requirement, and required approvers.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits:

Options, Inc. is a nonprofit organization; therefore, the ethics agree-upon procedures do not apply to this engagement.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements:

Options, Inc. is a nonprofit organization and has no debt issued which come under the requirements of this procedure; therefore, the debt service agreed-upon procedures do not apply.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a. Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document:

We obtained and reviewed minutes of the Board of Directors for the fiscal period noting that the full board met on a monthly basis in accordance with the Options' policy.

- b. Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis):

Minutes include monthly budget-to-actual comparisons for the net assets of the Options (the entity is a nonprofit organization). We obtained and reviewed the quarterly minutes and determined that the minutes reporting package included a budget-to-actual comparison for general and administrative and program departments.

- c. If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan:

Deficit spending was not noted during the fiscal period.

- d. Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.):

The minutes reference non-budgetary financial information in each meeting of the Board of Directors.

Bank Reconciliations

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

We obtained a listing of client bank accounts from management of Options. Management provided representations that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared:

Bank reconciliations were prepared for all months for all bank accounts.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and:

The Bank reconciliations are reviewed by the Chief Financial Officer, however, the bank reconciliations are not signed evidencing the review.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period:

Bank reconciliations for the operating account were reviewed. Management provided documentation of its research for reconciling items that were outstanding for more than six months.

Collections

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

We obtained a listing of the cash collection location for the operations of Options. Cash collections are received in multiple locations. Locations include thrift store, garden and plant sales, administration, and other profit centers. Management provided us representations that the listing is complete. Most of the cash collections are directly deposited into the cash account (Medicaid funds).

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee:

The persons responsible for collecting cash are not responsible for depositing, recording or reconciling the bank statements. By policy each cash register is assigned to an employee. The point of sale system identifies each person who enters transactions into the system through password security. No bonding insurance is required for the employees involved in the cash collection process.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected:

Written documentation was obtained regarding the cash receipts process and it was noted that the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers by a person who is not responsible for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

> Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location:

We reviewed the general ledger and selected the largest deposit for the year. The deposit made on August 10, 2016 was the largest deposit made from the year ended June 30, 2017. The deposit totaled \$154,978.07 and included amounts from all collection locations.

- > Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions:

Options, Inc. deposited the collections within five days per the bank deposit date. The Organization deposits the cash receipts from all sources on a weekly basis. The organization uses cash registers, and point of sale accounting system for its program revenue receipts. The cash receipts selected included support in the form of “z” tapes and point of sale reports for its program receipts. Cash collections at the administrative office are supported by copies of checks and a daily collection log.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections:

We obtained the written policy documentation and noted that the entity has a process specifically defined to determine completeness of all collections, including electronic transfers, for each revenue source by a person who is not responsible for collections

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

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

We obtained a listing of disbursements from the general ledger of Options, Inc. Management provided representations that the listing was complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/Pcard purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system:

We examined the supporting documentation for each of the disbursements selected. Each transaction was initiated with a purchase requisition form and approved by the department manager, Chief Financial Officer and Chief Executive Officer.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase:

Each transaction selected for the disbursement sample was initiated with a purchase requisition form and approved by the department manager, Chief Financial Officer and Chief Executive Officer.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice:

Examined supporting documentation for each of the disbursements selected and noted an approved vendor invoice for each purchase selected. The system does not require a purchase order or receiving report. The purchase system requires a Request for Payment Form that requires approval of the purchaser, the Program Manager, the Regional Director and the Chief Executive Officer.

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

Written policies and procedures address the function of adding vendors to the entity's purchasing/disbursement system. The Accounts Payable Clerk, who is responsible for processing payments to vendors, adds new vendors into the system. After the fact review is performed by the Chief Financial Officer and the Chief Executive Officer, who reviews the payment package making sure that a purchase requisition (approved by the Program Director and Employee) and vendor invoice support the payment before the check is signed.

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

Written policies and procedures provided do address the separation of signatory authority from initiating or recording of purchase. In cases where a person with signatory authority authorizes a purchase, then the system requires that both the Program Director and the Vocational Director sign the checks and act as the final authorization for the disbursement.

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

The supply of unused checks is maintained in a locked file cabinet, with restricted access from those persons with signatory authority.

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

No signature machine is used. This is not applicable to Options, Inc.

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

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

We obtained a listing of all active credit cards and P-cards including the card number and the names of the persons who maintained possession of the cards from the Chief Financial Officer. No bank debit cards, or fuel cards are utilized by the entity. Management of Options, Inc. provided representations that the credit card listing was complete.

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

Options, Inc. has issued nine credit cards and P-cards to its management team. We selected three cards (one third) for our sample for the applicable of the agreed-upon procedures for credit cards.

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

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

We obtained the monthly statements for each credit account selected and selected the statement with the largest dollar activity. The documentation provided evidence that the monthly statements and supporting documentation was reviewed and approved in

writing by the accounts payable accountant and the Chief Financial Officer who was not the authorized card holder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements:

No finance charges were assessed on the selected credit card consolidated statement.

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

- a) For each transaction, report whether the transaction is supported by:

- > An original itemized receipt (i.e., identifies precisely what was purchased):

For the sample selected in accordance with procedure 14 above an original itemized receipt supported each transaction on the credit card statement.

- > Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating:

The documentation of each transaction contained a Purchase Documentation Form that included a detailed description of the business purpose and listed all persons in attendance at meals or other events.

- > Other documentation that may be required by written policy (e.g., purchase order, written authorization.):

Other documentation required by the written policy was included in the supporting documents.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions:

After examining each transaction in the sample no transaction was subject to the requirements of the Louisiana Public Bid Law. The transactions conformed to the Options written purchasing/disbursement policies.

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

obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception:

No transaction included in the sample violated Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

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

We obtained the listing of travel and expense reimbursements by person from the general ledger system. Management provided representations that the listing was complete.

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

Written policies and procedures were obtained and no amounts listed in the policies regarding travel and expense reimbursements exceed GSA rates.

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

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates:

Travel and expenses reimbursements for the individuals selected in accordance with #19 above were paid in accordance with written policies and procedures of the Organization. No amounts were reimbursed in excess of the GSA rates.

- b) Report whether each expense is supported by:

>An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]:

Expenses included in the sample for categories reimbursed were in accordance with established per diem amount and were properly documented and reimbursed at the established rates.

- > Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating):

Documentation of the business purpose was noted for each expense reimbursement selected.

- > Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance):

In accordance with the sample selection policy noted above, travel expense documentation was examined. The documentation conformed to the written policy for each expense reimbursement selected.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception:

No travel and expense reimbursement for the selected sample violated Article 7, Section 14 of the Louisiana Constitution

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement:

Each expense reimbursement selected was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

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

We obtained a listing of all contracts in effect for the year ended June 30, 2017. Management provided representations that the listing was complete.

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

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid:

A formal/written contract supporting the service arrangements and the amount paid was noted for the contract vendors selected.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- > If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder):

Contracts selected were for services such as computer support, nursing, and nutritionist the requirements of the Louisiana Public Bid Law or Procurement Code did not apply.

- > If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice:

Since the contract selected were for services and not public works or supplies this procedure was not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment:

Contracts selected were not amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract:

The invoices and related payments selected complied with the terms and conditions of the contract.

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

The contracts selected were under \$10,000 and were approved by the Chief Executive Officer in accordance with the contract policy of Options, Inc.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

We obtained a listing of employees with their related salaries for the year ended June 30, 2017 from the payroll service provider. Management provided representations that the listing was complete.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure:

Each employee selected was paid in accordance with the approved pay rate as approved and documented in the employees personnel file.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy:

Changes made to hourly pay rates/salaries during the fiscal period were documented with a Pay Rate Form in the employees personnel file. The form was properly approved by Program Directors and the Chief Executive Officer.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.):

Daily attendance and leave was documented for each employee selected in the sample. Leave records are maintained by the Payroll Service Provider. Leave hours are based on the policies included in Employee Personnel Manual. We obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period we randomly selected 25 employees/officials and we agreed the leave accrual per the Employee Personnel Policy Manual to the reports provided by the Payroll Service Provider for each of the employees selected.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials:

Documentation of supervisor approval for attendance and leave was noted for each selected employee. We obtained the approved attendance and leave documentation. The attendance and leave documentation is maintained by the electronic time sheet system. The system interfaces with the Payroll Service Provider's leave maintenance system.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave:

Documentation of written leave records were maintained for employees selected. The written documentation of all employees leave use is documented and maintained on the electronic time sheet system and includes each employee's hours earned and hours used for leave. The Payroll Service Providers maintains the accrual of the leave earned for each employee. The electronic time sheets interface with the Payroll Service Providers system that maintains the remaining accumulated leave for each employee. Reports of the activity for each pay period and accumulated totals of remaining leave are provided by the Payroll Service Provider.

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

We obtained a list of employees that were terminated during the fiscal year from the Payroll Service Provider. Management provided representations that the list of terminated employees was complete. We selected the two largest terminated payments and determined that the payments were made in strict accordance with policy of Options, Inc. and was approved by the Chief Executive Officer.

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

We obtained supporting documentation relating to payroll taxes and retirement contributions during the fiscal period. Payroll taxes are handled by the payroll preparation service. The employment taxes and employee withholdings were drafted timely by the payroll preparation service for each payroll period. Additionally, retirement payments for the 401(k) plan were made timely for the fiscal year. No exceptions were noted.

Ethics (excluding nonprofits)

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

Options, Inc. is a nonprofit organization; therefore, this item is not applicable.

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

Options, Inc. is a nonprofit organization; therefore, this item is not applicable.

Debt Service (excluding nonprofits)

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

Options, Inc. is a nonprofit organization; therefore, this item is not applicable.

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

Options, Inc. is a nonprofit organization; therefore, this item is not applicable.

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

Options, Inc. is a nonprofit organization; therefore, this item is not applicable.

Other

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

Management has asserted that the entity did not have any misappropriations of public funds or assets during the reporting period.

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

Required notices are posted on the entity's premises and website.

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

No exceptions were noted regarding management representations provided for the agreed upon procedures noted above.

Conclusion

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the use of management of Options, Inc. (doing business as Options Social Service), and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



BERNARD & FRANKS

A Corporation of Certified Public Accountants

Metairie, Louisiana
December 20, 2017