

CARC, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2017

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

February 5, 2018

To the Board of Directors
CARC, INC.

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 principles 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 opinion.

Opinion

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

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To the Board of Directors
February 5, 2018
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Report on Summarized Comparative Information

We have previously audited CARC, INC.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information and the schedule of compensation, benefits and other payments to chief executive officer on pages 23 through 26 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 taken as a whole.

Other Reporting Require by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 5, 2018, on our consideration of CARC, INC.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gragson, Casiday & Guillory

CARC, INC.

Statement of Financial Position

June 30, 2017

With Comparative Totals as of June 30, 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,445,096	\$ 2,994,780
Investments	660,335	1,453,161
Accounts receivable		
Grants and contracts, net	15,967	27,614
Medicaid, net	1,713,738	921,565
Work Activity, net	63,436	84,253
Client Liability, net	3,165	1,095
Other	65,139	54,479
Accrued interest receivable	7,559	5,008
Note receivable-current portion	14,441	13,596
Merchandise inventory	61,510	66,821
Prepaid expenses-other	24,199	89,574
Total current assets	<u>6,074,585</u>	<u>5,711,946</u>
 PROPERTY, PLANT, AND EQUIPMENT		
Land	638,881	638,881
Buildings	4,961,851	4,954,866
Leasehold improvements	196,385	196,385
Furniture, fixtures, and equipment	1,313,722	1,313,722
Transportation equipment	<u>1,362,442</u>	<u>1,307,922</u>
	8,473,281	8,411,776
Less accumulated depreciation	<u>(4,861,753)</u>	<u>(4,633,179)</u>
	3,611,528	3,778,597
 OTHER ASSETS		
Deposits	12,160	12,160
Note receivable-noncurrent portion	<u>480,855</u>	<u>495,296</u>
	<u>493,015</u>	<u>507,456</u>
	<u>\$ 10,179,128</u>	<u>\$ 9,997,999</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Accounts payable - trade	\$ 42,466	\$ 57,850
Accrued salaries	136,060	111,655
Payroll taxes payable	15,349	9,007
Accrued expenses - other	42,185	51,085
Total current liabilities	<u>236,060</u>	<u>229,597</u>
NET ASSETS		
Unrestricted	9,928,068	9,753,402
Temporarily restricted	15,000	15,000
	<u>9,943,068</u>	<u>9,768,402</u>
	<u>\$ 10,179,128</u>	<u>\$ 9,997,999</u>

CARC, INC.

Statement of Activities

Year Ended June 30, 2017

With Comparative Totals for the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Federal, state and local grants/contracts	\$ 122,799	\$ -	\$ 122,799	\$ 246,236
Medicaid	7,774,718	-	7,774,718	7,886,816
United Way grant	-	-	-	8,352
Contributions	932,246	-	932,246	1,257,620
Membership dues	6,431	-	6,431	6,345
Auxiliary activities	808,507	-	808,507	881,337
Other program fees	349,946	-	349,946	329,328
Fund raising	29,156	-	29,156	22,000
Investment income (loss)	(28,619)	-	(28,619)	10,517
Gain on disposal of assets	214,463	-	214,463	-
Other income	275,075	-	275,075	289,205
Net assets released from restrictions				
Expiration of time restrictions- United Way	-	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>10,484,722</u>	<u>-</u>	<u>10,484,722</u>	<u>10,937,756</u>
EXPENSES AND LOSSES				
Program services	9,881,798	-	9,881,798	10,286,131
Supporting services				
Management and general	428,258	-	428,258	390,043
TOTAL EXPENSES AND LOSSES	<u>10,310,056</u>	<u>-</u>	<u>10,310,056</u>	<u>10,676,174</u>
INCREASE (DECREASE) IN NET ASSETS	174,666	-	174,666	261,582
NET ASSETS AT BEGINNING OF YEAR	<u>9,753,402</u>	<u>15,000</u>	<u>9,768,402</u>	<u>9,506,820</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,928,068</u>	<u>\$ 15,000</u>	<u>\$ 9,943,068</u>	<u>\$ 9,768,402</u>

The accompanying notes are an integral part of this statement.

CARC, INC.

Statement of Functional Expenses

Year Ended June 30, 2017

With Comparative Totals for the year ended June 30, 2016

	Program Services		
	Work Activity	Adult Habilitation	Infant Habilitation
Salaries and wages	\$ 741,781	\$ 973,791	\$ 35,344
Payroll taxes	60,992	83,165	2,674
Total salaries and related expenses	802,773	1,056,956	38,018
Advertising	1,812	1,131	143
Bad debts	-	-	-
Central office overhead	281,005	288,478	7,311
Consultants	420	-	-
Contract services	23,324	1,733	-
Dues and subscriptions	125	2,254	-
Employee benefits	26,803	47,076	3,769
Habilitative services	-	-	-
Insurance	65,422	97,224	2,870
Licenses	325	400	-
Medicaid provider fees	-	-	-
Medical	-	109	-
Miscellaneous	653	8,646	-
Office expense	4,596	-	-
Professional services	30,382	1,000	-
Purchases-resale items	1,194	-	-
Recreation expense	-	(208)	-
Rent	128,671	-	-
Repairs and maintenance	84,462	25,117	2,144
Seminars	-	440	-
Supplies	62,075	12,957	-
Telephone	3,757	4,062	714
Transportation	36,127	119,851	894
Travel	40	14,004	3,268
Utilities	55,920	14,072	-
Total expenses before depreciation expense	1,609,886	1,695,302	59,131
Depreciation expense	76,263	29,950	567
	<u>\$ 1,686,149</u>	<u>\$ 1,725,252</u>	<u>\$ 59,698</u>

The accompanying notes are an integral part of this statement.

Program Services

Residential Services	Supervised Living	Respite	Eliminations	2017 Total	2016 Total
\$ 783,080	\$ -	\$ 2,829,022	\$ -	\$ 5,363,018	\$ 5,544,676
67,856	-	249,557	-	464,244	417,467
850,936	-	3,078,579	-	5,827,262	5,962,143
-	-	960	-	4,046	7,432
20	-	-	-	20	-
406,286	1,566	1,074,315	-	2,058,961	2,196,861
68,006	1,260	1,095	-	70,781	58,461
11,280	1,500	39,790	-	77,627	63,671
3,284	492	6,542	-	12,697	12,597
27,188	-	13,989	-	118,825	146,411
295,720	-	-	(295,720)	-	-
46,281	-	97,203	-	309,000	339,682
3,750	375	600	-	5,450	6,018
212,005	-	-	-	212,005	210,104
8,003	-	-	-	8,112	7,595
25,514	478	60,928	-	96,219	99,066
-	-	-	-	4,596	6,497
4,200	-	-	-	35,582	32,511
-	-	-	-	1,194	72,458
-	-	-	-	(208)	(520)
13	-	-	-	128,684	125,326
47,542	519	-	-	159,784	160,035
-	-	15	-	455	1,038
153,283	-	1,055	-	229,370	228,699
4,742	502	4,318	-	18,095	19,118
20,112	50	80	-	177,114	156,371
84	-	48,648	-	66,044	71,000
35,733	-	6	-	105,731	106,704
2,223,982	6,742	4,428,123	(295,720)	9,727,446	10,089,278
47,572	-	-	-	154,352	196,853
<u>\$ 2,271,554</u>	<u>\$ 6,742</u>	<u>\$ 4,428,123</u>	<u>\$ (295,720)</u>	<u>\$ 9,881,798</u>	<u>\$10,286,131</u>

Continued

CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2017

With Comparative Totals for the year ended June 30, 2016

	Supporting Services	
	Management and General	2016 Total
Salaries and wages	\$ 193,984	\$ -
Payroll taxes	(18,325)	-
Total salaries and related expenses	175,659	-
Advertising	2,033	12,263
Bad debts	-	1,972
Central office overhead	35,332	45,883
Consultants	23	-
Contract services	-	-
Donation	-	101,035
Dues and subscriptions	797	785
Employee benefits	-	-
Fundraising	10,731	1,364
Habilitative services	-	-
Insurance	50,325	11,587
Licenses	255	977
Medicaid provider fees	-	-
Medical	-	-
Miscellaneous	6,855	1,341
Office expense	-	-
Professional services	17,664	84,905
Purchases-resale items	-	-
Recreation expense	-	-
Rent	2,095	1,867
Repairs and maintenance	38,403	45,001
Seminars	93	132
Supplies	6,301	13,048
Telephone	192	81
Transportation	(33)	-
Travel	75	-
Utilities	23,524	23,848
Total expenses before depreciation expense	370,324	346,089
Depreciation expense	57,934	43,954
	<u>\$ 428,258</u>	<u>\$ 390,043</u>

The accompanying notes are an integral part of this statement.

CARC, INC.

Statement of Cash Flows

Year Ended June 30, 2017

With Comparative Totals as of June 30, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 174,666	\$ 261,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	290,744	323,475
Gain on sale of fixed assets	(4,055)	1,972
Gain on sale of investments	(210,407)	-
Unrealized gain of investments	128,724	78,771
(Increase) decrease in:		
Unconditional promises to give	-	52,670
Accounts receivable	(772,439)	(85,438)
Accrued interest receivable	(2,551)	(175)
Inventory	5,311	4,473
Deposits and prepaids	65,375	24,027
Increase (decrease) in:		
Accounts payable - trade	(15,384)	(28,432)
Accrued salaries	24,405	(78,878)
Payroll taxes payable	6,342	(6,501)
Accrued expenses-other	(8,900)	8,787
NET CASH FROM OPERATING ACTIVITIES	<u>(318,169)</u>	<u>556,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of investments	930,595	818,705
Purchase of investments	(56,086)	(694,654)
Proceeds from receipt of principal	13,596	12,775
Proceeds from sale of fixed assets	4,055	-
Purchases of fixed assets and construction in progress	(123,675)	(76,039)
NET CASH FROM INVESTING ACTIVITIES	<u>768,485</u>	<u>60,787</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	450,316	617,120
CASH AND CASH EQUIVALENTS JUNE 30, 2016	<u>2,994,780</u>	<u>2,377,660</u>
CASH AND CASH EQUIVALENTS JUNE 30, 2017	<u>\$ 3,445,096</u>	<u>\$ 2,994,780</u>
SUPPLEMENTAL DATA FOR NON CASH INVESTING ACTIVITIES:		
Donation of land	<u>\$ -</u>	<u>\$ 101,035</u>

The accompanying notes are an integral part of this statement.

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CARC, INC. is presented to assist in understanding CARC, INC.'s financial statements. The financial statements and notes are representations of CARC, INC.'s management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, which have been consistently applied in the preparation of the financial statements.

On October 31, 2012, the Company changed its legal name from Calcasieu Association for Retarded Citizens, Inc. to CARC, INC.

1. Nature of Activities

CARC, INC. was organized under Section 501 (c) (3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing the following services to mentally and physically handicapped persons (clients) in Southwest Louisiana:

Work Activity - Clients provide services to area businesses on a contract basis and produce various merchandise for resale to the public.

Adult Habilitation - Adults are taught day to day living skills and work opportunities.

Infant Habilitation - Infants through three years of age are taught basic developmental skills.

Residential Services - The Association maintains six community homes which house six clients each on a "round the clock" supervised basis.

Supervised Independent Living - Clients are placed in local apartments and are supervised on a day-to-day, part-time basis.

Respite Services - The Association provides sitters for parents and guardians of clients.

The majority of the funding for the above programs is provided by Medicaid and the State offices of the Louisiana Department of Health and Hospitals. Without this funding, the Association would be forced to find alternative funding sources in order to maintain operations.

The board of directors decided to cease operations for the infant habilitation program effective January 2017 and to cease operations for the laundry portion of the work activity program effective December 2017.

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation

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

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

The Association considers all cash and investments with an initial maturity of three months or less to be cash equivalents.

6. Investments

Investments consist of Mutual Funds and Certificate of Deposits with a cost of \$656,835 which do not meet the Association's definition of cash equivalents. The investments are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Accumulated unrealized appreciation in assets classified as investments at June 30, 2017 was \$3,500.

7. Property, Plant, and Equipment

The Association follows the practice of recording assets at cost or estimated fair value of donated assets at date of donation. All assets with estimated useful lives in excess of one year and \$5,000 are capitalized. Depreciation and amortization is provided on the straight-line method at rates calculated to allocate the recorded amounts over the estimated useful lives of the assets, ranging from 2 to 50 years. Depreciation and amortization amounted to \$290,744, of which \$78,458 is included in central office overhead expense in the accompanying statement of functional expenses.

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Expense Allocation

Direct costs are charged directly to the grants and programs in which the expense is incurred or they are allocated to the grants and programs based on the proportion of benefit resulting from the particular expenditure. All other costs not identifiable as direct charges are regarded as "central office overhead" and accumulated in a pool. This pool is distributed monthly to the grants and programs based on the proportion of each grant's/program's direct costs to total direct costs, computed on a monthly basis.

9. Eliminations

For report purposes, all significant inter-departmental accounts and transactions have been eliminated.

10. Income Taxes

The Association is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and generally is not subject to income taxes according to the provisions of Federal and Louisiana State income tax laws and regulations. In addition, CARC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the code.

Tax years 2014 through 2016 remain subject to examination by the IRS.

11. Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the organization's program services.

12. Designated Net Assets

At its discretion, the Board may designate revenue for specific purposes. Any Board-designated funds would be segregated under the unrestricted net assets.

13. Inventory

Inventory is stated at the lower of cost or market. Cost is determined under the first-in, first-out method of accounting.

14. Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$49,125.

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 include the principal amount of a donation received in a prior fiscal year. The donor placed certain stipulations on the use of these funds. As of June 30, 2017, none of the original donation of \$15,000 had been expended.

17. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

18. Prior year Comparative Information

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

19. Subsequent Events

Management has evaluated subsequent events through February 5, 2018, the date the financial statements were available to be issued.

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2017, cash and cash equivalents consisted of the following:

Operating accounts, net of outstanding items	\$ 1,868,448
Money market accounts	<u>1,576,648</u>
	<u>\$ 3,445,096</u>

At June 30, 2017, the carrying amount of operating accounts was \$1,870,214 and the bank balance was \$2,048,969 of which \$758,426 is secured from risk by federal depository insurance, and the balance of \$1,290,543 is unsecured. In addition, a significant risk of loss existed at June 30, 2017 with regard to the monies invested in money market accounts and investments because those funds are not insured against market risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable amounts in the accompanying statement of financial position are reported net of the following allowance for doubtful accounts:

Contracts	\$ <u>6,155</u>
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NOTE D - LONG TERM NOTE RECEIVABLE

Louisiana Disabled Persons Finance Corporation (LADPFC):
First Mortgage note; secured by a mortgage lien,
payable in monthly installments of principle and interest
of \$3,751 (interest at 6.25% per annum), maturity at February 2036.

\$ 495,296

Less current maturities

14,441

Long-term note receivable, net of current portion

\$ 480,855

In February of 2006, Louisiana Disabled Persons Finance Corporation paid in full a loan to U.S. Department of Housing and Urban Development. The funding to pay the loan balance was derived from CARC, INC. Interest rate on CARC, INC.'s thirty-year mortgage is to be fixed for five years at 6.25% and terms are to be reviewed every five years. The Association has signed a use agreement with HUD to abide by HUD regulations, as they apply to this project, and the continued Section 8 contract.

NOTE E - MEDICAID PROVIDER FEE

The Association's residential services program is required, under Louisiana R.S. 46:2601-2605, to pay to the Department of Health and Hospitals a fee per patient day for each bed which is in use or reserved for a patient. The total of such fees for the year ended June 30, 2017 is \$212,005.

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE F - RELATED PARTY TRANSACTIONS

Included in accounts receivable-other at June 30, 2017 are operating advances to LADPFC of \$29,298, to Louie Street Apartments, Inc. of \$3,196, and to Stroud Manor, Inc. of \$5,654, affiliated non-profit organizations under common board of directors. In addition, Louisiana Disabled Persons Finance Corporation paid \$7,200, Louie Street Apartments, Inc. paid \$6,524 and Stroud Manor, Inc. paid \$1,074 in management fees to CARC, INC. for the year ended June 30, 2017. Also, see Note D for a loan between LADPFC and CARC, INC.. Summarized financial data of Louisiana Disabled Persons Finance Corporation, Louie Street Apartments, Inc., and Stroud Manor, Inc., as of and for the year ended June 30, 2017 is as follows:

Louisiana Disabled Person Finance Corporation

Total Assets	\$ 130,702
Total Liabilities	<u>530,131</u>
Net Assets (deficit)	<u>\$ (399,429)</u>
Total Revenue	\$ 137,261
Total Expenses	<u>157,547</u>
Change in Net Assets	<u>\$ (20,286)</u>

Louie Street Apartments, Inc.

Total Assets	\$ 1,584,997
Total Liabilities	<u>1,372,338</u>
Net Assets (deficit)	<u>\$ 212,659</u>
Total Revenue	\$ 145,851
Total Expenses	<u>148,278</u>
Change in Net Assets	<u>\$ (2,427)</u>

Stroud Manor, Inc.

Total Assets	\$ 1,175,903
Total Liabilities	<u>1,057,364</u>
Net Assets (deficit)	<u>\$ 118,539</u>
Total Revenue	\$ 124,181
Total Expenses	<u>24,561</u>
Change in Net Assets	<u>\$ 99,620</u>

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE G – INVESTMENTS

The fair values of short-term investments totaled \$660,335 at June 30, 2017. The following schedule summarizes investment returns and their classification in the statement of activities for the year ended:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Interest income	\$ 100,105	\$ -	\$ 100,105
Net unrealized gain (loss)	<u>(128,724)</u>	-	<u>(128,724)</u>
Total investment return (loss)	<u>\$ (28,619)</u>	<u>\$ -</u>	<u>\$ (28,619)</u>

NOTE H - RETIREMENT PLAN

Effective September 1, 1997, a retirement savings plan and trust for the benefit of eligible employees was adopted. The plan covers substantially all of the employees, with the exception of client employees, of CARC, INC. who have attained the age of 21 and completed one year of service (at least 1,000 hours of service in a plan year). The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each participant may elect to have Compensation deferred by up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415. The maximum annual amount that an employee could contribute as an elective deferral for calendar year 2017 was \$17,500 per year. For the year ended June 30, 2017, salary deferrals by eligible participants totaled \$73,187. The employer may make a matching contribution to each participant based on the participant's elective deferrals in a percentage set by the employer prior to the end of each plan year. For the year ended June 30, 2017, the Board of Directors adopted an employer contribution of 50% of the first 6% that an employee contributes. Additional amounts may be contributed at the option of the Board of Directors. For the year ended June 30, 2017, the employer match totaled \$31,375.

NOTE I – RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE J - CENTRAL OFFICE OVERHEAD

Included in central office overhead expense in the accompanying Statement of Functional Expenses are the following natural expense categories:

Salaries and wages	\$ 1,204,185
Payroll taxes	<u>94,552</u>
Total salary and related expenses	1,298,737
Advertising	39,660
Bad debt	512
Bank charges	173
Consultants	1,384
Contract services	77,796
Dues and subscriptions	1,448
Employee benefits	131,469
Insurance	185,985
Licenses	49
Miscellaneous	10,270
Office expense	7,746
Professional services	37,565
Rent	6,636
Repairs and maintenance	56,262
Seminars	5,512
Supplies	79,210
Telephone	18,400
Transportation	21,239
Travel	20,715
Utilities	<u>29,324</u>
Total expenses before depreciation expense	2,030,092
Depreciation expense	<u>78,458</u>
Total central office overhead	<u>\$ 2,108,550</u>

NOTE K – OPERATING LEASES

The Association leases three retail store spaces for its Treasure Chest stores. The Lake Charles store has a base monthly rental amount of \$6,161. This lease expires November 2018. The Moss Bluff store has a base monthly rental amount of \$2,709. This lease expires March 2018. The Deridder store has a base monthly rental amount of \$1,800. This lease expires July 2018. Lease expense amounted to \$128,671 for the year ended June 30, 2017. Minimum lease payments on long-term operating leases by year, and in aggregate, are as follows:

<u>Year ended</u>	
June 30, 2018	\$ 114,816
June 30, 2019	32,640

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE K – OPERATING LEASES (CONTINUED)

The Association is the lessor of multiple rental properties under operating leases. The lease agreements stipulate month-to-month leases for \$11,450 per month total. Following is a summary of the properties leased at June 30, 2017:

Homes	\$ 1,106,855
Less: accumulated depreciation	<u>(283,855)</u>
	823,000
Land	<u>150,034</u>
	<u>\$ 973,034</u>

NOTE L – FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for sale on a recurring basis.

FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2017 are as follows:

	Fair Value	Quoted prices in Active markets Identical assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Cost
Short-term investments:					
Mutual Funds	\$ 159,544	\$ 156,835	\$ -	\$ -	\$ 156,835
Deposits	500,791	500,791	-	-	500,000
Totals	<u>\$ 660,335</u>	<u>\$ 660,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,835</u>

CARC, INC.

Notes to Financial Statements

June 30, 2017

NOTE M – CONCENTRATION OF RISK

The Association is located in the Southwest Louisiana and performs most of its services in this area. The Association receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE N – SUBSEQUENT EVENTS

The administrative building flooded during Hurricane Harvey in August of 2017. The Association received \$500,000 from flood insurance for the building and \$113,861 for contents in December 2017. The Association plans to demolish the existing building, raise the foundation, and rebuild in the same location. Demolition costs are estimated at \$74,000 and construction of the new building is estimated at \$2,200,000. An asbestos determination found asbestos in floor tiles in about 60% of the building and are waiting on prices for remediation.

The Association has since moved the administrative employees to other Association facilities on a temporary basis. The Association also signed an 18 month lease for \$2,500 per month for additional administration space while the building is being re-built.

NOTE O – CONTINGENCIES

The Association received a letter dated January 11, 2018 from the Louisiana Department of Health stating that the Association was overpaid \$153,929.39 in Medicaid claims for the fiscal year ended June 30, 2016, that were determined to be ineligible because of the excess balances maintained in resident patient fund accounts (Louisiana Medicaid Eligibility Manual I-1631). As a result of this correspondence, the Association has researched and determined the Medicaid overpayment amounts for the period July 2015 through June 2017 based on this criteria. The calculated amount is \$508,421. The executive director, along with other care providers in the state are in the process of contesting the repayment of these billings to Medicaid. This amount is not included as a payable at June 30, 2017.

SUPPLEMENTARY INFORMATION

CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized

Year Ended June 30, 2017

	<u>Central Office</u>	<u>Work Activity</u>	<u>Adult Habilitation</u>	<u>Infant Habilitation</u>
Public support and revenue				
Federal, state and local grants/contracts	\$ 885	\$ -	\$ 82,197	\$ 31,410
Medicaid	-	-	1,386,493	-
Contributions	<u>26,396</u>	<u>805,664</u>	<u>99,186</u>	<u>-</u>
Total public support	27,281	805,664	1,567,876	31,410
Revenue				
Membership dues	6,431	-	-	-
Other program fees	14,467	-	295,720	-
Fund raiser income	29,156	-	-	-
Auxiliary activities	-	808,507	-	-
Investment income (loss)	(28,619)	-	-	-
Gain on disposal of assets	210,408	2,055	2,000	-
Other income	<u>129,900</u>	<u>110,440</u>	<u>7,740</u>	<u>200</u>
Total revenue	<u>361,743</u>	<u>921,002</u>	<u>305,460</u>	<u>200</u>
Total public support and revenue	389,024	1,726,666	1,873,336	31,610
Expenses and losses				
Program services	-	1,686,149	1,725,252	59,698
Supporting services				
Management and general	<u>428,258</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses and losses	<u>428,258</u>	<u>1,686,149</u>	<u>1,725,252</u>	<u>59,698</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ (39,234)</u>	<u>\$ 40,517</u>	<u>\$ 148,084</u>	<u>\$ (28,088)</u>

<u>Residential Services</u>	<u>Supervised Independent Living</u>	<u>Respite</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 8,307	\$ -	\$ -	\$ 122,799
1,859,517	289,160	4,239,548	-	7,774,718
1,000	-	-	-	932,246
<u>1,860,517</u>	<u>297,467</u>	<u>4,239,548</u>	<u>-</u>	<u>8,829,763</u>
-	-	-	-	6,431
335,479	-	-	(295,720)	349,946
-	-	-	-	29,156
-	-	-	-	808,507
-	-	-	-	(28,619)
-	-	-	-	214,463
14,900	11,226	669	-	275,075
<u>350,379</u>	<u>11,226</u>	<u>669</u>	<u>(295,720)</u>	<u>1,654,959</u>
2,210,896	308,693	4,240,217	(295,720)	10,484,722
2,271,554	6,742	4,428,123	(295,720)	9,881,798
-	-	-	-	428,258
<u>2,271,554</u>	<u>6,742</u>	<u>4,428,123</u>	<u>(295,720)</u>	<u>10,310,056</u>
<u>\$ (60,658)</u>	<u>\$ 301,951</u>	<u>\$ (187,906)</u>	<u>\$ -</u>	<u>\$ 174,666</u>

OTHER INFORMATION

CARC, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER

Year Ended June 30, 2017

Chief Executive Officer: Libby Leone, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 73,107
Benefits - insurance	6,120
Benefits - retirement	2,161
Benefits - cell phone	-
Mileage	591
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	441
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meal reimbursements	134
Dues	100



Gragson, Casiday & Guillory, L.L.P.
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INDEPENDENT AUDITORS' 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

February 5, 2018

To the Board of Directors
CARC, INC.

We have audited, 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, the financial statements of CARC, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

To the Board of Directors
February 5, 2018
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CARC, INC.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses.

CARC, INC.'s Response to Findings

CARC, INC.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. CARC, INC.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



CARC, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2017

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? ___ yes X no
- Control deficiency(s) identified that are
not considered to be material weakness(es)? X yes ___ none reported
- Noncompliance material to financial
statements noted? ___ yes X no

II. Findings Relating To The Financial Statements Which Are Required To Be Reported In Accordance With Generally Accepted Governmental Auditing Standards

Finding 2017-001:

Medicaid Eligibility Compliance

Condition: The Association did not correctly determine the eligibility of resident patients in calculating Medicaid payments due from the state. The Association is not allowed a monthly Medicaid payment for a resident patient if the balance in the resident patient fund account is in excess of \$2,000 at the end of that respective month.

Effect: Because of the incorrect determination, the Association would have received Medicaid payments from the State in error. These payments, if received in error, should be reimbursed to the State for the year ended June 30, 2017. This amount is estimated to be \$183,350 for the year ended June 30, 2017.

Recommendation: If the overpayment is correct, the Association should reimburse the State. In addition, controls should be strengthened to accurately determine eligibility going forward.

Corrective Action Planned/Management Response: Management is in discussions with the State in contesting the repayment of these billings to Medicaid. The Association is also seeking a waiver of the eligibility requirement for the resident patient account having a maximum balance of \$2,000, for past and future periods.

Finding 2017-002:

Late Submission of Financial Statements

Condition: The Association's June 30, 2017 financial statements were not timely submitted to the Legislative Auditor. The due date was December 31, 2017.

Criteria: The Association's June 30, 2017 financial statements are required to be submitted to the Legislative Auditor within six months of the year end.

CARC, INC.

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2017

Cause: The financial information was not complete and accurate at the due date. This included requested information and supporting documentation not available to the auditor on a timely basis.

Effect: The Association's June 30, 2017 financial statements were not timely submitted to the Legislative Auditor as required by state law.

Recommendation: Management should ensure that all accounting functions are completed timely and financial statements are submitted within the required time period.

Management Response: Management agrees with the finding. Steps have been taken to ensure future compliance.



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INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
CARC, INC.

February 5, 2018

We have performed the procedures included enumerated below, which were agreed to by CARC, INC. (a nonprofit organization) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUP's) for the fiscal year July 1, 2016 through June 30, 2017. The Association's management is responsible for those C/C areas identified in the SAUP's.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the Association'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 Association does not have any written policies and procedures), as applicable:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
The Association's policies and procedures do not address this area.
 - 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.
The Association's policies and procedures address #1, #2, #3 and #5 areas. The policies and procedures do not address #4 area.
 - c) *Disbursements*, including processing, reviewing, and approving.
The Association's policies and procedures do address this area.
 - d) *Receipts*, including receiving, recording, and preparing deposits.
The Association's policies and procedures do address this area.

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

The Association's policies and procedures do address this area.

- 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.

The Association's policies and procedures do address #1, #2 and #4 areas. The policies and procedures do not address #3 and #5 areas.

- 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.

The Association's policies and procedures do not address this area.

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

The Association's policies and procedures do address this area.

- 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 Association's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Not applicable.

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

Not applicable.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board minutes for the fiscal year, 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.
The Board met monthly, except for December, in the fiscal year.
 - 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 Association's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether

the meeting minutes for at least one board meeting during the fiscal year reflect that the board is monitoring the plan.

The minutes did not reference nor include monthly budget-to-actual comparisons.

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

Minutes, where applicable, contained approval of non-budgetary financial information.

Bank Reconciliations

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

The listing was provided by management.

4. Using the listing provided by management, select all of the Association'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 year and report whether:

- a) Bank reconciliations have been prepared:

Bank reconciliations were prepared for all of the selected bank accounts for all months in the fiscal year.

- 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

There is no documentation that a member of management or a board member has reviewed each bank reconciliation.

- 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.

Management has documented research for items outstanding for more than 6 months as of the end of the fiscal period.

Collections

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

The listing was provided by management.

6. Using the listing provided by management, select all of the Association'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.

All employees are covered by a \$150,000 theft policy. An employee who collects cash does not perform the function of depositing, of recording the transaction and of reconciling the bank account. Cash register/drawers are not maintained.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Association 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.

The Association has a formal written policy to reconcile cash collections to the subsidiary ledger and to the general ledger by revenue source 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 Association 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.

All deposits were made within one day of collections, except for seven deposits which were made within five to fourteen days of receipt.

- 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.

No evidence of exceptions was found during the testing.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Association has a process specifically defined (identified as such by the Association) 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.

The Association's policies include some of the processes specifically defined to determine completeness of all collections but they are generally performed by persons who are also responsible for collections.

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

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

The listing was provided by management.

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 Association had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

Randomly selected 25 disbursements and obtained supporting documentation for each transaction.

- 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.

Purchases were initiated using a purchase order system.

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

Purchase orders were approved by someone other than the person who initiated the purchase.

- 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.

Purchase orders were approved before any payments for purchases were made and payments had an approved invoice.

10. Using Association 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 Association's purchasing/disbursement system.

The individual responsible for accounts payable payment processing is the same person who adds vendors to the system.

11. Using Association 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.

The individuals with signatory authority and authorization for disbursements have no responsibility to initiate or record purchases.

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

Stock checks, electronic and manual, are maintained in a locked location and access restricted to persons that do not have signature authority.

The Association's checks that are electronically printed on blank check stock are restricted from access by persons with signatory authority. However, signatures are electronically printed on blank check stock when checks are printed.

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.

The Executive Director has a signature stamp, maintained under her control and used only with her knowledge and consent. Checks are maintained under the control of the signer or authorized user until mailed.

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.

The listing was provided by management.

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

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity

for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

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

On the months tested, the statement was reviewed and approved in writing by someone other than the authorized card holder on six of the ten credit cards.

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

No finance charges and/or late fees were assessed on the months tested.

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).

Each transaction was supported by an original itemized receipt.

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

Documentation of business/public purpose was provided.

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

All documentation appeared to be in order.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Association'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.

No exceptions were noted.

- c) For each transaction, compare the Association'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 exceptions were noted.

Travel and Expense Reimbursement

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

The listing was provided by management.

18. Obtain the Association'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.

The Association's per diem and mileage rates do not exceed the 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 Association does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

For the expense reimbursements tested, those were paid in accordance to written policy.

- 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.]

Itemized receipts, when applicable, were provided for all expenses tested that identified what was purchased.

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

Each expense was supported by documentation of business purpose.

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

All documentation appeared to be in order.

- c) Compare the Association'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.

The Association's documentation of business/public purpose for tested expenses appeared to comply with the requirements of 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 tested was supported by documentation, approval 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.

The listing was provided by management.

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.

The five highest paid vendors did not have formal/written contracts. However, invoices were present for each payment.

- 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 Association complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

The contracts/vendors were not subject to the public bid law.

- If no, obtain supporting contract documentation and report whether the Association solicited quotes as a best practice.

Solicited quotes were not obtained.

- 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.

Not applicable, contracts were not required for the payments.

- 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.

Payments complied with the invoices. Contracts were not required for the payments.

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

Not applicable, contracts were not required for the payments.

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:

The listing was provided by management.

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

All selected employees were paid in strict accordance with the approved pay rate structure.

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

Pay rate changes were approved in writing and in accordance with policy.

- 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 Association 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.)

All employees tested had documentation of attendance and leave.

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

There was written documentation that supervisors approved attendance and leave.

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

The Association maintained written leave records reflecting the hours earned, the hours used, and the balance available.

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.

The listing was provided by management. The termination payments were made in strict accordance with pay rates approved by management.

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

Documentation reflected that payroll tax and retirement return/reports were timely filed and paid.

Ethics

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 Association maintained documentation to demonstrate that required ethics training was completed.

Not applicable. Entity is a nonprofit organization.

27. Inquire of management whether any alleged ethics violations were reported to the Association 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 Association's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Not applicable. Entity is a nonprofit organization.

Debt Service

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

Not applicable. Entity is a nonprofit organization.

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

Not applicable. Entity is a nonprofit organization.

30. If the Association 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.

Not applicable. Entity is a nonprofit organization.

Other

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

Management informed us that the Association did not have any misappropriation of public funds or assets during the fiscal year.

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

The Association did have the required notice posted in a conspicuous place upon its premises.

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

The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUP's. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Dragson, Casiday & Scully