

EASTER SEALS LOUISIANA, INC.

Audits of Financial Statements

June 30, 2019 and 2018



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Independent Auditor's Report

To the Board of Directors
Easter Seals Louisiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Easter Seals Louisiana, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Louisiana, Inc. as of June 30, 2019 and 2018, 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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, for the year ended June 30, 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019, on our consideration of Easter Seals Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
September 26, 2019

EASTER SEALS LOUISIANA, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash Used for Operations	\$ 855,089	\$ 727,639
Cash Designated for Capital Projects	466,732	487,455
Cash Equivalents Designated for Endowment	59,771	191,175
Accounts Receivable, Net	1,223,235	1,059,548
Prepaid Expenses and Deposits	43,557	110,349
Investments - Board-Designated	1,723,727	1,481,411
Unemployment Trust	112,392	110,416
Beneficial Interest in Asset Held by Others	8,296	8,296
Furniture and Equipment, Net	1,559	10,222
	<hr/>	<hr/>
Total Assets	\$ 4,494,358	\$ 4,186,511
Liabilities		
Accounts Payable	\$ 28,322	\$ 37,368
Payroll Taxes Payable	19,713	11,172
Other Liabilities	26,312	21,108
Accrued Vacation	24,410	25,701
	<hr/>	<hr/>
Total Liabilities	98,757	95,349
Net Assets		
Net Assets Without Donor Restrictions		
Undesignated	2,145,371	1,931,121
Board-Designated	2,250,230	2,160,041
	<hr/>	<hr/>
Total Net Assets	4,395,601	4,091,162
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 4,494,358	\$ 4,186,511

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

EASTER SEALS LOUISIANA, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	2019	2018
Support and Revenue		
Program Revenue		
Case Management	\$ 6,196,673	\$ 6,303,242
Mental Health Services	1,691,735	1,638,846
System Point of Entry (SPOE)	1,521,978	1,500,532
Integrated Community Engagement	431,878	258,029
Autism Services	2,500	31,040
Contributions and Other Revenue		
Bingo Income	1,614,292	604,894
Net Investment Return	129,323	86,854
Special Events	100,703	101,460
Contributions	86,027	44,465
Miscellaneous	10,297	5,420
	<u>11,785,406</u>	<u>10,574,782</u>
Expenses		
Program Services		
Case Management	5,415,349	5,437,490
Mental Health Services	1,679,537	1,851,897
System Point of Entry	1,371,198	1,371,489
Integrated Community Engagement	400,129	257,743
Direct Services	5,507	17,116
Supporting Services		
Management and General	945,610	743,862
Fundraising	1,663,637	715,773
	<u>11,480,967</u>	<u>10,395,370</u>
Change in Net Assets	304,439	179,412
Net Assets, Beginning of Year	<u>4,091,162</u>	<u>3,911,750</u>
Net Assets, End of Year	<u><u>\$ 4,395,601</u></u>	<u><u>\$ 4,091,162</u></u>

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services							
	Mental Health Services							
	Case Management (All Regions)	Integrated Community Engagement (I & II)	Shreveport Crisis Services	Shreveport Community Psychiatric Support Treatment	Shreveport Residential	Monroe Transitional Housing	Monroe Intensive Case Management	Disaster Case Management
Salaries and Employee Benefits	\$ 4,514,670	\$ 110,406	\$ 205,274	\$ 190,040	\$ 325,107	\$ 25,573	\$ 294,713	\$ 94,382
Professional Fees and Contracted Services	79,411	13,628	11,892	14,415	7,942	206	47,938	14,281
Cost of Sales	-	-	-	-	-	-	-	-
Supplies	87,375	12,215	15,923	2,569	44,123	13,316	7,065	3,263
Telecommunications	59,233	1,873	7,760	4,397	10,395	904	9,915	3,180
Postage and Shipping	13,831	225	661	69	25	-	233	190
Occupancy	240,473	62,970	21,262	3,727	79,108	29,657	11,501	10,576
Equipment Rent and Maintenance	117,973	2,642	4,327	2,455	4,900	910	8,874	2,837
Printing, Publications, and Media	797	1,344	77	77	77	-	499	77
Travel and Transportation	226,939	4,956	5,325	6,157	4,281	-	22,835	2,303
Conferences and Meetings	4,329	1,259	534	174	28	23	330	519
Specific Assistance	-	183,111	-	-	-	-	-	-
Insurance	23,240	4,510	1,398	669	6,430	-	1,679	671
Bad Debt Expense	14,070	-	-	36,527	-	-	36,608	1,123
Miscellaneous	26,386	501	1,074	876	3,063	741	1,838	734
Taxes	-	-	-	-	-	-	-	-
Auditing Fees	-	-	4,835	-	-	-	-	-
Directors and Officers Insurance	2,527	187	131	122	227	33	207	70
Depreciation	4,095	302	212	198	367	54	336	113
Total Functional Expenses	5,415,349	400,129	280,685	262,472	486,073	71,417	444,571	134,319
National Membership Dues	-	-	-	-	-	-	-	-
Total Functional Expenses with National Membership Dues	\$ 5,415,349	\$ 400,129	\$ 280,685	\$ 262,472	\$ 486,073	\$ 71,417	\$ 444,571	\$ 134,319

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2019

	Program Services			Supporting Services		Supporting Services Totals	Total
	System Point of Entry (All Regions)	Direct Services	Program Services Totals	Management and General	Development, Marketing & Fundraising		
Salaries and Employee Benefits	\$ 987,990	\$ -	\$ 6,748,155	\$ 694,931	\$ 163,905	\$ 858,836	\$ 7,606,991
Professional Fees and Contracted Services	10,919	-	200,632	49,419	16,749	66,168	266,800
Cost of Sales	-	-	-	-	1,255,006	1,255,006	1,255,006
Supplies	47,650	-	233,499	16,908	94,291	111,199	344,698
Telecommunications	22,576	-	120,233	9,195	3,435	12,630	132,863
Postage and Shipping	14,945	-	30,179	237	55	292	30,471
Occupancy	116,621	-	575,895	33,999	90,734	124,733	700,628
Equipment Rent and Maintenance	43,393	-	188,311	5,848	5,316	11,164	199,475
Printing, Publications, and Media	1,308	-	4,256	77	4,703	4,780	9,036
Travel and Transportation	58,664	-	331,460	27,735	4,332	32,067	363,527
Conferences and Meetings	3,954	-	11,150	11,211	11,817	23,028	34,178
Specific Assistance	-	5,500	188,611	-	-	-	188,611
Insurance	4,482	-	43,079	11,001	488	11,489	54,568
Bad Debt Expense	-	-	88,328	-	-	-	88,328
Miscellaneous	41,855	-	77,068	20,691	10,773	31,464	108,532
Taxes	-	-	-	5,434	-	5,434	5,434
Auditing Fees	15,165	-	20,000	9,331	-	9,331	29,331
Directors and Officers Insurance	640	3	4,147	426	776	1,202	5,349
Depreciation	1,036	4	6,717	689	1,257	1,946	8,663
Total Functional Expenses	1,371,198	5,507	8,871,720	897,132	1,663,637	2,560,769	11,432,489
National Membership Dues	-	-	-	48,478	-	48,478	48,478
Total Functional Expenses with National Membership Dues	\$ 1,371,198	\$ 5,507	\$ 8,871,720	\$ 945,610	\$ 1,663,637	\$ 2,609,247	\$ 11,480,967

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2018

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

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

EASTER SEALS LOUISIANA, INC.
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2018

	Program Services			Supporting Services		Supporting Services Totals	Total
	System Point of Entry (All Regions)	Direct Services	Program Services Totals	Management and General	Fundraising		
Salaries and Employee Benefits	\$ 1,019,703	\$ -	\$ 6,957,492	\$ 557,625	\$ 116,318	\$ 673,943	\$ 7,631,435
Professional Fees and Contracted Services	12,345	-	183,878	39,001	7,350	46,351	230,229
Cost of Sales	-	-	-	-	479,666	479,666	479,666
Supplies	47,049	40	160,220	12,841	40,132	52,973	213,193
Unemployment	2,919	-	23,441	2,398	275	2,673	26,114
Telecommunications	28,549	-	149,833	8,228	454	8,682	158,515
Postage and Shipping	15,110	-	31,247	1,426	37	1,463	32,710
Occupancy	104,375	-	500,570	30,502	37,000	67,502	568,072
Equipment Rent and Maintenance	32,308	-	136,745	9,541	344	9,885	146,630
Printing, Publications, and Media	467	-	2,875	67	1,918	1,985	4,860
Travel and Transportation	69,192	-	364,000	22,285	2,627	24,912	388,912
Licenses and Fees	-	-	3,000	-	5,017	5,017	8,017
Conferences and Meetings	1,483	-	4,406	5,027	14,964	19,991	24,397
Dues and Memberships	46	-	46	1,039	-	1,039	1,085
Specific Assistance	-	17,037	194,214	-	-	-	194,214
Insurance	5,610	10	50,352	622	900	1,522	51,874
Auditing Fees	19,804	-	26,000	7,256	-	7,256	33,256
Bad Debt Expense (Recovery)	-	-	81,979	-	-	-	81,979
Staff Training and Development	884	-	2,996	-	-	-	2,996
Miscellaneous	8,971	-	45,025	1,039	7,376	8,415	53,440
Depreciation	2,674	29	17,416	1,481	1,395	2,876	20,292
Total Functional Expenses	1,371,489	17,116	8,935,735	700,378	715,773	1,416,151	10,351,886
National Membership Dues	-	-	-	43,484	-	43,484	43,484
Total Functional Expenses with National Membership Dues	\$ 1,371,489	\$ 17,116	\$ 8,935,735	\$ 743,862	\$ 715,773	\$ 1,459,635	\$ 10,395,370

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

EASTER SEALS LOUISIANA, INC.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 304,439	\$ 179,412
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	8,663	20,292
Bad Debt Expense	88,328	81,979
Net Realized and Unrealized Gain on Investments	(84,689)	(50,233)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(252,015)	300,798
Prepaid Expenses and Deposits	66,792	(84,316)
Unemployment Trust	(1,976)	3,089
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(9,046)	(23,590)
Payroll Taxes Payable	8,541	3,260
Other Liabilities	5,204	10,281
Accrued Vacation	(1,291)	795
Net Cash Provided by Operating Activities	132,950	441,767
Cash Flows from Investing Activities		
Purchases of Investments	(595,191)	(410,940)
Proceeds from Sales of Investments	437,564	446,165
Net Cash (Used in) Provided by Investing Activities	(157,627)	35,225
Net (Decrease) Increase in Cash Used for Operations	(24,677)	476,992
Cash and Designated Cash and Cash Equivalents, Beginning of Year	1,406,269	929,277
Cash and Designated Cash and Cash Equivalents, End of Year	\$ 1,381,592	\$ 1,406,269

The following table provides a reconciliation of cash and board-designated cash and cash equivalents reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	2019	2018
Cash and Cash Equivalents		
Cash Used for Operations	\$ 855,089	\$ 727,639
Cash Designated by Board for Capital Projects	466,732	487,455
Cash Equivalents Designated by Board for Endowment	59,771	191,175
Total Cash, Cash Equivalents, and Designated Cash Shown in the Statements of Cash Flows	\$ 1,381,592	\$ 1,406,269

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

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 1. Nature of Activities

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

Case Management - Assists individuals with disabilities across the lifespan and adults with behavioral health issues to access needed services and become as independent as possible.

Mental Health Services - Teaches and reinforces skills for participants to remain in the community living independently. Mental Health Services includes case management and skills training focused on addressing functional deficits related to chronic, severe behavioral health issues. These services are provided primarily in the community including the participant's home, community resources, and other community locations by utilizing an advanced practice registered nurse for psychiatric evaluations and medication management and licensed counselors for assessments and counseling services.

System Point of Entry - Identifies, evaluates, and supports infants and toddlers ages birth to three who have a developmental delay or developmental disability.

Integrated Community Engagement - Provides support from a network of volunteers, advocates, donors, and vendors who assist the Organization in sustaining its mission.

Direct Services - Provides an opportunity for disabled children to experience the joys and challenges of camp in a fully accessible setting.

Note 2. Summary of Significant Accounting Policies

Organization and Income Taxes

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

Basis of Accounting

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

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Accordingly, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization has no net assets with donor restrictions.

Cash Flow Information

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Organization did not make any cash payments for income taxes or interest during the years ended June 30, 2019 and 2018.

Use of Estimates

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

Contributions

Contributions are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Unconditional Promises to Give

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

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under fee for service or cost-reimbursable contracts are recognized in the period in which the related services are performed, or expenditures are incurred, respectively.

Invoices are generally issued monthly for services rendered. The Organization's standard billing terms are that payment is due upon receipt of invoice, payable within 30 to 60 days.

Bingo revenue is recognized at the close of each event as total collected amounts are determined.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

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

A major portion of the accounts receivable balances as of June 30, 2019 and 2018 is from the Louisiana Department of Health and Hospitals. Management closely monitors outstanding accounts receivable and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off. As of June 30, 2019 and 2018, the allowance for uncollectible receivables was \$128,111 and \$56,143, respectively.

Furniture and Equipment

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

Allocated Expenses

The costs of providing the various programs and supporting services are summarized in the statements of functional expenses, which present the natural classification detail of expenses by function. Certain expenses have been allocated among the programs and supporting services benefitted based on management's estimates of the costs involved. See Note 16.

Recent Accounting Pronouncements

On May 28, 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 provides a single comprehensive principles-based standard for the recognition of revenue through the application of the following processes:

1. Identify the contract(s) with a customer,
2. Identify the performance obligations in the contract,
3. Determine the transaction price,
4. Allocate the transaction price to the performance obligations in the contract, and
5. Recognize revenue when, or as, the entity satisfies a performance obligation.

ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 requires expanded disclosures about the nature, timing, and uncertainty of revenue, as well as certain additional quantitative and qualitative disclosures. It is effective for the Organization's annual reporting period beginning July 1, 2019.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

The Organization may use one of two methods for applying ASU 2014-09: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the scope of ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined within ASU 2014-09. The Organization anticipates adopting the standard using the retrospective method with the cumulative effect of initially applying ASU 2014-09 recognized as a change in beginning net assets at the date of initial application.

The Organization is utilizing a comprehensive approach to assess the impact of the guidance on each of its significant revenue streams. Additionally, the Organization is evaluating the impact of the new guidance on disclosures, as well as the impact on controls to support the recognition. Based on the foregoing, the Organization does not anticipate this standard having a material impact on its financial statements as of and for the year ending June 30, 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides analysis and guidance on how the entity should identify between the two types of transactions which would then determine which standard to follow (ASU 2014-09 or FASB Subtopic 958-605) in recognizing the revenue or expense of the transaction. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management is still evaluating the impact implementation of ASU 2018-08 will have on the Organization's financial statements.

In January 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management does not expect ASU 2016-02 to have a significant impact on the Organization's financial statements.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Implementation of Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted ASU 2016-14 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. There was no impact to net assets as a whole or the total change in net assets as a result of these reclassifications.

Note 3. Unemployment Services Trust

The Organization self-insures for unemployment expenses via the Unemployment Services Trust (the Trust). The Trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The balance of the Trust is based on the gross balance of the account less an estimate of actual claims. The net recorded balance as of June 30, 2019 and 2018, was \$112,392 and \$110,416, respectively.

Note 4. Investments

Investments are summarized as follows at June 30, 2019 and 2018:

2019	Cost	Fair Market Value
Common Stocks	\$ 754,430	\$ 866,417
Equity Mutual Funds	292,199	322,725
Corporate Bonds	309,875	317,504
Bond Mutual Funds	214,906	217,081
Total	<u>\$ 1,571,410</u>	<u>\$ 1,723,727</u>
2018	Cost	Fair Market Value
Common Stocks	\$ 663,330	\$ 642,927
Equity Mutual Funds	171,839	195,652
Corporate Bonds	359,754	353,760
Bond Mutual Funds	299,991	289,072
Total	<u>\$ 1,494,914</u>	<u>\$ 1,481,411</u>

Note 5. Fair Value Measurements

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

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

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

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

Assets measured at fair value are comprised of the following as of June 30, 2019 and 2018:

	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2019				
Common Stocks	\$ 866,417	\$ 866,417	\$ -	\$ -
Equity Mutual Funds	322,725	322,725	-	-
Corporate Bonds	317,504	317,504	-	-
Bond Mutual Funds	217,081	217,081	-	-
Total	\$ 1,723,727	\$ 1,723,727	\$ -	\$ -

	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2018				
Common Stocks	\$ 642,927	\$ 642,927	\$ -	\$ -
Equity Mutual Funds	195,652	195,652	-	-
Corporate Bonds	353,760	304,444	49,316	-
Bond Mutual Funds	289,072	289,072	-	-
Total	\$ 1,481,411	\$ 1,432,095	\$ 49,316	\$ -

Note 6. Board-Designated Endowment

In May 2013, an endowment fund was established by the Board of Directors in the form of investments with the purpose of providing perpetual financial support to the Organization. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of restrictions imposed by a donor. The funds in the investment portfolio are not anticipated to be utilized for the daily operations of the Organization, and as such, are invested over a long-term investment horizon. The endowment fund uses a total-return based spending policy, which means that it will fund distributions from net investment return, net realized capital gains, and proceeds from the sale of investments. A distribution of fund assets is permitted to the extent that such distributions do not exceed a level that would erode the portfolio's real assets over time. As of June 30, 2019 and 2018, no appropriations have been made from the endowment.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 6. Board-Designated Endowment (Continued)

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

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

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

Endowment fund net asset composition by type of fund as of June 30, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Fund Net Assets
2019			
Board-Designated Endowment Fund	\$ 1,783,498	\$ -	\$ 1,783,498
Total	\$ 1,783,498	\$ -	\$ 1,783,498
2018			
Board-Designated Endowment Fund	\$ 1,672,586	\$ -	\$ 1,672,586
Total	\$ 1,672,586	\$ -	\$ 1,672,586

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 6. Board-Designated Endowment (Continued)

Changes in endowment fund net assets for the years ended June 30, 2019 and 2018, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Fund Net Assets
2019			
Net Assets, Beginning of Year	\$ 1,672,586	\$ -	\$ 1,672,586
Net Investment Return	110,912	-	110,912
Net Assets, End of Year	\$ 1,783,498	\$ -	\$ 1,783,498
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Fund Net Assets
2018			
Net Assets, Beginning of Year	\$ 1,602,328	\$ -	\$ 1,602,328
Net Investment Return	70,258	-	70,258
Net Assets, End of Year	\$ 1,672,586	\$ -	\$ 1,672,586

Note 7. Beneficial Interest in Asset Held by Others

During the year ended June 30, 2015, the Organization was made aware of a gift annuity contract entered into by a donor wherein the Organization is to receive 75% of the remainder. As of June 30, 2019 and 2018, the balance estimated to be received by the Organization was \$8,296.

Note 8. Uncertain Tax Positions

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

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

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 9. Furniture and Equipment

The following is a summary of furniture and equipment at June 30, 2019 and 2018:

	2019	2018
Furniture and Fixtures	\$ 54,396	\$ 54,396
Office Equipment	237,215	237,215
Total Furniture and Equipment	291,611	291,611
Less: Accumulated Depreciation	(290,052)	(281,389)
Total Furniture and Equipment, Net	\$ 1,559	\$ 10,222

Depreciation expense was \$8,663 and \$20,292, for the years ended June 30, 2019 and 2018, respectively.

Note 10. Operating Leases

The Organization leases certain office facilities in New Orleans, Shreveport, Covington, Monroe, Alexandria, and Thibodaux. The payments on the leases range from \$348 to \$11,480 per month. Rent expense related to operating leases was approximately \$689,000 and \$543,000, for the years ended June 30, 2019 and 2018, respectively.

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

Years Ending June 30,	Amount
2020	\$ 618,364
2021	306,686
2022	169,302
2023	112,542
2024	90,838
Total	\$ 1,297,732

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 11. Line of Credit

The Organization has a \$500,000 revolving bank line of credit. Interest is payable at the prime rate, plus 1.25% points, with a floor of 5.25%. The interest rate was 6.75% and 5.75% as of June 30, 2019 and 2018, respectively. All unpaid interest and principal are due on April 12, 2020. The loan is secured with receivables and property, furniture, and equipment. There was no outstanding balance on the line of credit as of June 30, 2019 and 2018.

Note 12. Net Assets

As further explained in Note 6, a portion of the unrestricted net assets has been designated by the Board of Directors to be used for specific purposes. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in planning future expenditures and investing. Information regarding the components of unrestricted net assets at June 30, 2019 and 2018, is as follows:

	2019	2018
Undesignated Net Assets	\$ 2,145,371	\$ 1,931,121
Designated Net Assets		
Designated for Endowment	1,783,498	1,672,586
Designated for Capital Projects	466,732	487,455
Total Designated Net Assets	<u>2,250,230</u>	<u>2,160,041</u>
Total Net Assets	<u>\$ 4,395,601</u>	<u>\$ 4,091,162</u>

Note 13. Related Party Transactions

The Organization is affiliated with Easter Seals, Inc. (Easter Seals) and pays an annual membership fee. For the years ended June 30, 2019 and 2018, the fee was \$47,199 and \$43,484, respectively. Easter Seals provides supplies for certain campaigns and charges the Organization for those supplies. Easter Seals also remits to the Organization contributions collected on behalf of the Organization. There was \$-0- due to the Organization as of June 30, 2019 and 2018.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 14. Significant Contracts and Grants

For the years ended June 30, 2019 and 2018, approximately \$6,066,000 and \$5,849,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary, and approximately \$1,558,000 and \$1,501,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a pass-through entity for federal grants. The State of Louisiana (the State) provides annual contracts to the Organization which grant the State the right to audit program accounts and activities. The State, acting as the Medicaid intermediary for Medicaid patients, reimburses services rendered to Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 15. Pension Plan

The Organization sponsors a defined contribution profit sharing plan covering substantially all employees of the Organization who have one year of eligible service. The plan provided for contributions by the Organization equal to 2% of eligible compensation for each eligible employee for the years ended June 30, 2019 and 2018. The Organization incurred contribution expense of \$92,860 and \$90,334, for the years ended June 30, 2019 and 2018, respectively.

Note 16. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expense accounts that are allocated are insurance and depreciation. Allocation for these accounts is pro-rata based on functional expense totals before insurance and depreciation.

Note 17. Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2019 and 2018.

EASTER SEALS LOUISIANA, INC.

Notes to Financial Statements

Note 18. Concentrations of Credit Risk

The Organization periodically maintains cash in bank accounts in excess of the insured limit of \$250,000 provided for by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice. At June 30, 2019 and 2018, the Organization held approximately \$724,000 and \$594,000, respectively, in excess of FDIC limits.

Investments are exposed to various risks such as interest rate risk, market risk, and credit risks. Future changes in financial markets could affect the value of the investment securities and future earnings of the Organization.

Note 19. Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization manages its cash available to meet general expenditures using the following:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance of sustainability
- Having a line of credit available for times of unforeseen events or delays in payment of receivables by resource providers

Assets not available to meet general expenditures within one year of the statements of financial position date include amounts in nonspendable form and assets subject to internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

The following table reflects the Organization's financial assets available to meet general expenditures within one year of the statements of financial position as of June 30, 2019 and 2018.

	2019	2018
Cash Used for Operations	\$ 855,089	\$ 727,639
Accounts Receivable, Net	<u>1,223,235</u>	<u>1,059,548</u>
Total Financial Assets	<u>\$ 2,078,324</u>	<u>\$ 1,787,187</u>

Note 20. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 26, 2019, and determined that no events occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

EASTER SEALS LOUISIANA, INC.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended June 30, 2019

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

Agency Head
Tracy Garner, Chief Executive Officer

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

See independent auditor's report.

UNIFORM GUIDANCE SECTION

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

Independent Auditor's Report

To the Board of Directors
Easter Seals Louisiana, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Easter Seals Louisiana, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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 September 26, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

A Professional Accounting Corporation

Metairie, LA
September 26, 2019

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

Independent Auditor's Report

To the Board of Directors
Easter Seals Louisiana, Inc.

Report on Compliance for Each Major Federal Program

We have audited Easter Seals Louisiana, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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



A Professional Accounting Corporation

Metairie, LA
September 26, 2019

EASTER SEALS LOUISIANA, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-Through Entity/ Program Title	Federal CFDA Number	Pass-Through Award Number	Federal Expenditures
United States Department of Housing and Urban Development			
Direct			
Continuum of Care - Pathways	14.267	N/A	\$ 83,814
Continuum of Care - ICE	14.267	N/A	<u>281,377</u>
Total United States Department of Housing and Urban Development			<u>365,191</u>
United States Department of Education			
Passed through the Louisiana Department of Health and Hospitals			
Special Education - Grants for Infants and Families with Disabilities	84.181	2000122759	620,523
	84.181	2000126731	487,697
	84.181	2000126711	<u>413,758</u>
Total United States Department of Education			<u>1,521,978</u>
United States Department of Homeland Security			
Passed through State of Louisiana Office of Community Development			
Disaster Case Management	97.036	PO 2000199240	<u>140,448</u>
Total United States Department of Homeland Security			<u>140,448</u>
Total Expenditures of Federal Awards			<u>\$ 2,027,617</u>

See notes to schedule of expenditures of federal awards.

EASTER SEALS LOUISIANA, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Easter Seals Louisiana, Inc. (the Organization) and is prepared in accordance with the accrual method of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2019.

Note 2. De Minimis Cost Rate

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

EASTER SEALS LOUISIANA, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.181	Special Education - Grants for Infants and Families With Disabilities

Dollar threshold used to determine Type A Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

EASTER SEALS LOUISIANA, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2019

Section II. FINANCIAL STATEMENT FINDINGS

None

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

AGREED-UPON PROCEDURES REPORT

Easter Seals Louisiana, Inc.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of July 1, 2018 - June 30, 2019

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

We have performed the procedures enumerated below, which were agreed to by Easter Seals Louisiana, Inc. (ESL) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. ESL's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c. **Disbursements**, including processing, reviewing, and approving.
 - d. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: The policies of ESL address all of the functions listed, with the following exceptions: Policies for 1(b), purchasing, do not address how vendors are added to the vendor list or the preparation and approval process of purchase requisitions and purchase orders. Additionally, no purchase order or requisition system was observed to be in place. Policies for 1(f), contracting, do not address the types of services requiring written contracts, the standard terms and conditions for contracts, legal review, nor a monitoring process. Policies for 1(k), disaster recovery/business continuity, do not address any of the items listed. Policies for ethics and debt service are not applicable to ESL.

Bank Reconciliations

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

- c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: We obtained a listing of bank accounts from management and management's representation that the listing is complete. We selected the main operating and four additional bank accounts and obtained bank statements and reconciliations for each selected account. While performing procedure 2(a), we noted that two of the five bank accounts selected did not have evidence that reconciliations were prepared within two months of the closing date for the month tested. While performing procedure 2(b), we noted that for the five bank accounts selected, there was no evidence to support that the review had occurred. The criteria for 2(c) were met without exception.

Collections (excluding EFTs)

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

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

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

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

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

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

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

Results: Five bank accounts were tested. Three accounts did not have deposits other than funds wired in or transfers from other ESL bank accounts. A total of four deposits were tested. For Thibodaux bingo location, we noted that there were no sequentially pre-numbered receipts utilized. However, we obtained daily bingo collection support that featured detailed sales and collection information for each drawer used on the day tested. The daily bingo collection support agreed to the deposit slips without exception. Deposits were made on the same day collected. No exceptions were identified as a result of performing these procedures.

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

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

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

8. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b. Observe that finance charges and late fees were not assessed on the selected statements.

Results: Five credit cards were selected for testing for one combined statement period. For procedure 8(a), we did not identify any evidence that the statements were approved. However, ESL uses an online portal in which each of the cardholders' supervisors approve each credit card charge individually (rather than on a statement-wide basis). For the statements selected, we observed that all the individual charges were marked approved in the online system.

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

For each transaction, observe that it is supported by:

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

For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Five credit cards and a total of twenty charges were selected for testing. No exceptions were identified as a result of performing these procedures.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those (C/C) areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



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September 26, 2019



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September 24, 2019

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To Whom It May Concern,

Management Responses to the 2019 Statewide AUP report and recommendations:

1. Management will adjust policies to include vendor additions and approvals. Additional management will explore the terms and conditions of contracts as well as address disaster recovery.
2. Management will work towards being more timely with bank reconciliations and evidence of review.

Sincerely,



Joseph C. Oliveri
Chief Financial Officer
Chief Operating Officer



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