

**CANE RIVER CHILDREN'S SERVICES, INC.**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2018**

Cane River Children's Services, Inc.  
Annual Financial Report  
June 30, 2018

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# Johnson, Thomas & Cunningham

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Cane River Children's Services, Inc.

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cane River Children's Services, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Cane River Children's Services, Inc. taken as a whole. Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, reflected on page 18, to supplement the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented on page 19 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records, used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Information from the preceding year is reported in certain financial statements within this report. The information was taken from our report dated October 12, 2017, in which we expressed an unmodified opinion on the Cane River Children's Services, Inc.'s statement of financial position.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of Cane River Children's Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cane River Children's Services, Inc.'s internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated October 31, 2018, on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

*Johnson, Thomas + Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

October 31, 2018  
Natchitoches, Louisiana

## FINANCIAL STATEMENTS

Cane River Children's Services, Inc.  
Statement of Financial Position  
For the Year Ended June 30, 2018  
(With Comparative Totals for June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets-		
Cash & Cash Equivalents	\$ 39,187	\$ 128,745
Revenue Receivables	302,122	308,789
Prepaid Expenses	18,234	13,973
Facility	1,744,459	1,744,459
Land	321,078	321,078
Office Furniture & Equipment	44,707	29,905
Vehicles	105,709	105,709
Household Furniture	110,679	110,679
Major Movables	12,128	12,128
Computers	27,053	27,053
Less, Accumulated Depreciation	<u>(1,016,550)</u>	<u>(963,001)</u>
Total Assets	<u>\$ 1,708,806</u>	<u>\$ 1,839,517</u>
Liabilities-		
Cash Overdrafts	\$ 30,194	\$ 30,338
Accounts Payable	8,310	0
Accrued Payroll & Payroll Liabilities	27,195	22,413
Residents' Deposits	7,450	11,111
Current Portion of Long-Term Debt	111,207	107,465
Long-Term Debt	<u>693,827</u>	<u>736,135</u>
Total Liabilities	<u>\$ 878,183</u>	<u>\$ 907,462</u>
Net Assets-		
Unrestricted	<u>\$ 830,623</u>	<u>\$ 932,055</u>
Total Liabilities & Net Assets	<u>\$ 1,708,806</u>	<u>\$ 1,839,517</u>

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

Cane River Children's Services, Inc.  
Statement of Activities  
For the Year Ended June 30, 2018  
(With Comparative Totals for June 30, 2017)

	<u>2018</u>	<u>2017</u>
UNRESTRICTED REVENUES:		
Governmental Grants and Contracts	\$ 907,524	\$1,035,533
Donations	13,365	13,495
Sale of Assets	0	1,000
Interest and Dividend Income	7,948	8,983
Gain on Investments	0	8,598
Other	<u>17,125</u>	<u>27,944</u>
Total Unrestricted Revenues	<u>\$ 945,962</u>	<u>\$1,095,553</u>
Expenses-		
Supporting Services:		
Administrative & General	\$ 378,348	\$ 365,336
Program Services:		
Plant Operation	59,713	76,163
Capital Assets Cost	53,549	54,328
Dietary	42,234	59,766
Housekeeping	5,188	7,395
Personal Needs	11,368	10,938
Medical/Nursing	140	1,204
Therapeutic & Training	492,863	609,188
Recreational	2,258	5,781
Ancillary	<u>1,733</u>	<u>5,211</u>
Total Expenses	<u>\$1,047,394</u>	<u>\$1,195,310</u>
Change in Unrestricted Net Assets	\$ (101,432)	\$ (99,757)
Net Assets-Beginning of Year	<u>932,055</u>	<u>1,031,812</u>
Net Assets-End of Year	<u>\$ 830,623</u>	<u>\$ 932,055</u>

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

Cane River Children's Services, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2018  
(With Comparative Totals for June 30, 2017)

	<u>2018</u>	<u>2017</u>
SUPPORTING SERVICES:		
Administrative & General-		
Salaries-Administrative & Clerical	\$ 221,392	\$ 198,726
Employee Benefits	9,205	6,274
Interest	36,642	34,733
Insurance-Officers	1,929	1,557
Insurance-Workman's Comp.	16,096	15,068
Insurance-Motor Vehicles	12,889	13,148
Insurance-Other	18,148	24,508
Licenses	45	747
Office Supplies	8,699	10,809
Printing	400	2,194
Vehicles-Gas, Oil, etc.	12,612	14,354
Postage	617	393
Professional Services	9,860	5,275
Dues & Subscriptions	7,970	2,990
Telephone	16,223	16,192
Training	1,893	662
Travel & Seminars	500	924
Rental Expense	0	720
Bad Debt	0	9,629
Miscellaneous	<u>3,228</u>	<u>6,433</u>
Total Supporting Services	<u>\$ 378,348</u>	<u>\$ 365,336</u>
PROGRAM SERVICES:		
Plant Operation-		
Outside Services	\$ 3,330	\$ 3,907
Maintenance-Building & Grounds	4,409	10,523
Repairs-Building & Grounds	6,893	3,759
Repairs-Furniture & Equipment	1,360	13,975
Utilities	<u>43,721</u>	<u>43,999</u>
Total Plant Operation	<u>\$ 59,713</u>	<u>\$ 76,163</u>
Capital Assets Cost-		
Depreciation-Furn. & Equip.	\$ 1,973	\$ 2,698
Depreciation-Vehicles	6,726	6,726
Depreciation-Facility	<u>44,850</u>	<u>44,904</u>
Total Capital Assets Cost	<u>\$ 53,549</u>	<u>\$ 54,328</u>

(Continued next page)

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

Cane River Children's Services, Inc.  
Statement of Functional Expenses (continued)  
For the Year Ended June 30, 2018  
(With Comparative Totals for June 30, 2017)

	<u>2018</u>	<u>2017</u>
Dietary- Food	\$ <u>42,234</u>	\$ <u>59,766</u>
Housekeeping- Supplies	\$ <u>5,188</u>	\$ <u>7,395</u>
Personal Needs- Clothing	\$ 165	\$ 533
Other	<u>11,203</u>	<u>10,405</u>
Total Personal Needs	\$ <u>11,368</u>	\$ <u>10,938</u>
Medical & Nursing- Medical Services-Routine	\$ 85	\$ 875
Psychiatric & Psychological	<u>55</u>	<u>329</u>
Total Medical & Nursing	\$ <u>140</u>	\$ <u>1,204</u>
Therapeutic & Training- Salaries-Therapists	\$ 187,960	\$ 139,501
Salaries-DCC Staff	285,059	400,235
Employee Benefits	16,646	12,334
Payroll Taxes	0	55,982
Supplies	<u>3,198</u>	<u>1,136</u>
Total Therapeutic & Training	\$ <u>492,863</u>	\$ <u>609,188</u>
Recreational- Activities	\$ <u>2,258</u>	\$ <u>5,781</u>
Ancillary- Other	\$ <u>1,733</u>	\$ <u>5,211</u>
Total Program Services	\$ <u>669,046</u>	\$ <u>829,974</u>
Total Expenses	\$ <u>1,047,394</u>	\$ <u>1,195,310</u>

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

Cane River Children's Services, Inc.  
Statement of Cash Flows  
For the Year Ended June 30, 2018  
(With Comparative Totals for June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$(101,432)	\$ (99,757)
Adjustments to Reconcile Decreases in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Depreciation	53,549	54,327
(Increase) Decrease in Accounts Receivable	6,667	35,902
(Increase) Decrease in Prepaid Expenses	(4,261)	807
Increase (Decrease) in Accounts Payable	8,310	(4,591)
Increase (Decrease) in Accrued Payroll	4,782	0
Increase (Decrease) in Resident's Deposits	<u>(3,661)</u>	<u>6,804</u>
Net Cash Used by Operating Activities	<u>\$ (36,046)</u>	<u>\$ (6,508)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan Proceeds	\$ 55,000	\$ 150,000
Principal Payments on Loans	(93,566)	(127,564)
Purchase of Assets, Furniture & Equipment	<u>(14,802)</u>	<u>(218)</u>
Net Cash Provided by Financing Activities	<u>\$ (53,368)</u>	<u>\$ 22,218</u>
Net Increase (Decrease) in Cash	\$ (89,414)	\$ 15,710
Cash at Beginning of Year	<u>98,407</u>	<u>82,697</u>
Cash at End of Year	<u>\$ 8,993</u>	<u>\$ 98,407</u>
Reconciliation of Cash & Cash Equivalents:		
Cash & Cash Equivalents	\$ 39,187	
Cash Overdrafts	<u>(30,194)</u>	
Net Cash at End of Year	<u>\$ 8,993</u>	

SUPPLEMENTAL DISCLOSURE

Cash payments for interest during the years ended June 30, 2018 and 2017 totaled \$36,642 and \$34,733, respectively.

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

## NOTES TO FINANCIAL STATEMENTS

Cane River Children's Services, Inc.  
Notes to Financial Statements  
June 30, 2018

Introduction

Cane River Children's Services, Inc. ("Agency") was incorporated as a non-profit corporation on May 18, 1978, under the laws of the State of Louisiana. The Agency maintains and operates residential group homes for undomiciled and troubled youth, provides support for transitional living for boys and girls as placed by the State of Louisiana, and provides therapeutic foster care and counseling, as authorized by its charter. The agency operates under a ten-member Board of Directors. Revenues are derived primarily from the Title IV-E Foster Care Program passed through the State of Louisiana, Department of Social Services, as well as Crime Victim Assistance grants, Medicaid, and contributions from the general public.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of Cane River Children's Services, Inc., conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

A. Financial Statement Presentation - The Agency has adopted FASB Accounting Standard Codification 958-205 "Not-for-Profit Organizations." Under FASB ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets:

1) *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. As of June 30, 2018 and 2017, all net assets were unrestricted.

2) *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or passage of time. As of June 30, 2018 and 2017, there were no temporarily restricted net assets.

3) *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. Generally, donors of these assets permit the Agency to use all of, or part of, the income earned on the related investments for general or specific purposes. As of June 30, 2018 and 2017, there were no permanently restricted net assets.

In addition, the Agency is required to present a statement of cash flows.

B. Basis of Accounting - The Agency uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Cane River Children's Services, Inc.  
Notes to Financial Statements  
June 30, 2018

1. Summary of Significant Accounting Policies (continued):

C. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures 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.

D. Capital Assets - Capital assets purchased with unrestricted funds are recorded at cost when purchased or at market value at time of donation. Depreciation on all exhaustible fixed assets is charged as an expense against the operations of the Agency. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. Accumulated depreciation was \$1,016,550 at June 30, 2018, and \$963,001 at June 30, 2017.

In accordance with FASB ASC 958-360-50-3 and 50-4, property and equipment purchased with grant funds are expensed when purchased and not recorded on the statement of financial position because reversionary title is held by the grantor.

E. Income Taxes - The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as "other than a private foundation". Therefore, no provision for income taxes has been made in the financial statements, but the Agency is required to file an annual information tax return. The Agency's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015 and beyond remain subject to examination by the IRS, generally for three years after filing.

F. Unpaid Accumulated Vacation Pay - Employees of the Agency earn one to two days of vacation per month depending upon the number of years of employment, beginning on the seventh month of employment. At the end of each year, employees may carry forward vacation time earned but not taken, up to a maximum of 360 hours. Subject to this limitation, unused vacation pay is paid to employees upon separation at hourly rates being earned. Due to the immateriality of this amount in relation to total agency payrolls, no accrual has been made for accumulated vacation pay.

G. Cash and Equivalents - For the purpose of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

H. Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and results of operations.

2. Cash and Cash Equivalents:

The cash and cash equivalents of the Cane River Children's Services, Inc. are subject to the following risk:

Cane River Children's Services, Inc.  
Notes to Financial Statements  
June 30, 2018

2. Cash and Cash Equivalents (continued):

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Agency that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Agency's name.

At June 30, 2018, cash and cash equivalents totaled \$8,993, including \$800 petty cash (book balances). Bank balances totaled \$42,515 at June 30, 2018, all of which are secured by FDIC Insurance.

Resident funds are maintained in separate non-interest bearing checking accounts as required by contractual guidelines. Cash and cash equivalents at June 30, 2018 included \$7,450 in restricted deposits.

3. Revenue Receivable:

Revenues Receivable at June 30, 2018 and 2017 represent amounts due from the Agency's contracts with the State of Louisiana, DCFS, AmeriGroup and Louisiana Healthcare Connections. The amount of receivables deemed to be uncollectible has not been determined, therefore, there has been no provision recorded for doubtful accounts.

4. Fair Value of Financial Instruments:

The Agency's financial instruments consist of cash, receivables and mortgage notes payable. The carrying value of these instruments approximate their fair values.

The Agency has adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements". Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Cane River Children's Services, Inc.  
Notes to Financial Statements  
June 30, 2018

4. Fair Value of Financial Instruments (continued):

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specific data. These unobservable assumptions reflect the Agency's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

5. Fixed Assets:

The following is a summary of changes in fixed assets for the Agency for the two-year period ended June 30, 2018:

	Balance <u>6-30-16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6-30-18</u>
Fixed Assets, Not Depreciated-							
Land	\$ 321,078	\$ 0	\$ 0	\$ 321,078	\$ 0	\$0	\$ 321,078
Fixed Assets, Depreciated-							
Facility	1,647,839	0	0	1,647,839	0	0	1,647,839
Vehicles	124,203	0	18,494	105,709	0	0	105,709
Household Furniture	110,679	0	0	110,679	0	0	110,679
Office Furniture	29,687	218	0	29,905	14,802	0	44,707
Computers	27,053	0	0	27,053	0	0	27,053
Renovations-IL	96,620	0	0	96,620	0	0	96,620
Major Movables	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>
Total Fixed Assets	\$2,369,287	\$ 218	\$18,494	\$2,351,011	\$ 14,802	\$0	\$2,365,813
Accumulated Depreciation	<u>927,168</u>	<u>54,327</u>	<u>18,494</u>	<u>963,001</u>	<u>53,549</u>	<u>0</u>	<u>1,016,550</u>
Net Fixed Assets-							
Totals	<u>\$1,442,119</u>	<u>\$(54,109)</u>	<u>\$ 0</u>	<u>\$1,388,010</u>	<u>\$(38,747)</u>	<u>\$0</u>	<u>\$1,349,263</u>

Depreciation expense in the amount of \$53,549 and \$54,327 was recorded for the years ended June 30, 2018 and June 30, 2017, respectively.

6. Long-Term Liabilities:

The Agency had four notes payable at June 30, 2018.

On October 9, 2014, the Agency executed a loan agreement and promissory note with BOM Bank for \$500,000, with an interest rate of 4.25%. The loan is to be repaid in 59 regular payments of \$3,070 and one irregular last payment estimated at \$414,679, due on October 9, 2019. The proceeds from this loan were used to pay off three existing loans with the Bank of Montgomery. The balance of this loan at June 30, 2018, was \$437,078.

Cane River Children's Services, Inc.  
Notes to Financial Statements  
June 30, 2018

6. Long-Term Liabilities (continued):

The Agency executed a second loan agreement with BOM Bank on October 9, 2014, for \$300,000, with an interest rate of 4.25%. The loan is to be repaid in 59 regular payments of \$1,858 and one irregular last payment estimated at \$248,807, due on October 9, 2019. The proceeds from this loan were used to pay off an existing loan with LA Capital Federal Credit Union and an existing loan with Bank of Montgomery. The balance of this loan at June 30, 2018, was \$262,350.

The Agency was issued proceeds from an existing line of credit with BOM Bank which originated on December 12, 2013. The current rate of interest on this line of credit is 5.75%. The balance of this line of credit at June 30, 2018, was \$72,088.

On November 8, 2016, the Agency executed a loan agreement with BOM Bank for \$68,000, with an interest rate of 4.25%. The loan is to be repaid in 11 regular payments of \$2,000 and one irregular final payment estimated at \$48,472, due on November 8, 2018. The proceeds from this loan were used to pay for improvements to the property located at Fourth Street. The balance of this loan at June 30, 2018 was \$33,518.

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Amount Due</u> <u>in one Year</u>
Notes Payable to BOM Bank:					
- Note #35 Line of Credit	\$ 59,271	\$55,000	\$(42,183)	\$ 72,088	\$ 47,367
- Note #40 Refinance	455,462	0	(18,384)	437,078	18,954
- Note #45	273,278	0	(10,928)	262,350	11,368
- Note #50	<u>55,589</u>	<u>0</u>	<u>(22,071)</u>	<u>33,518</u>	<u>33,518</u>
Total	<u>\$843,600</u>	<u>\$55,000</u>	<u>\$(93,566)</u>	<u>\$805,034</u>	<u>\$111,207</u>

The fair value of the above loans is estimated based on the current rates offered to the Agency for debt of the same remaining maturities. At June 30, 2018, the fair value of long-term debt approximates the amounts recorded in the financial statements. The annual requirements for these notes, including interest, are as follows:

	Bank of Montgomery #35		Bank of Montgomery #40	
<u>FYE</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
6/30/19	\$47,367	\$2,910	\$ 18,954	\$18,209
6/30/20	<u>24,721</u>	<u>416</u>	<u>418,124</u>	<u>7,347</u>
	<u>\$72,088</u>	<u>\$3,326</u>	<u>\$437,078</u>	<u>\$25,556</u>
	Bank of Montgomery #45		Bank of Montgomery #50	
<u>FYE</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
6/30/19	\$ 11,368	\$10,930	\$33,518	\$357
6/30/20	<u>250,982</u>	<u>3,535</u>	<u>0</u>	<u>0</u>
	<u>\$262,350</u>	<u>\$14,465</u>	<u>\$33,518</u>	<u>\$357</u>
	TOTAL			
<u>FYE</u>	<u>Principal</u>	<u>Interest</u>		
6/30/19	\$111,207	\$32,406		
6/30/20	<u>693,827</u>	<u>11,298</u>		
	<u>\$805,034</u>	<u>\$43,704</u>		

Cane River Children's Services, Inc.  
Notes to Financial Statements  
June 30, 2018

7. Retirement Commitments:

The Agency offers employees the option of participating in an employee-sponsored Simple IRA retirement plan with American Funds. The plan allows employees to make contributions to the plan at time of hire. After the six months' probation period, the Agency will match up to three percent of the employee's salary to the plan. For the year ended June 30, 2018, Cane River Children's Services, Inc.'s contribution amount was \$7,870 and employee contributions totaled \$9,474.

8. Pending Litigation:

Cane River Children's Services, Inc. has no legal action pending at June 30, 2018.

9. Lease Commitments:

Cane River Children's Services, Inc. has no lease commitments at June 30, 2018.

10. Compensation Paid to Board Members:

The members of the Board of Directors serve as volunteers and receive no compensation.

11. Concentrations and Economic Dependency:

The Agency receives the majority of its revenue from funds provided through federal and state grants administered by the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Agency receives could be reduced significantly. Either of these conditions could have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Agency will receive in the next fiscal year.

12. Contributions:

The Agency has also adopted FASB ASC 958-605, "Not-For-Profit Entities - Revenue Recognition." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions. However, as disclosed in Note 1, there were no donor-imposed restrictions during the years ended June 30, 2018 and 2017.

13. New Accounting Pronouncements:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers* as a new Topic, Accounting Standards Codification *Topic 606*. The ASU is intended to provide a more robust framework for addressing revenue issues, improving comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU No. 2014-09 by one year. This ASU is effective for annual reporting periods beginning after December 15, 2018, and shall be applied using either a full retrospective or modified retrospective approach.

Cane River Children's Services, Inc.  
Notes to Financial Statements  
June 30, 2018

13. New Accounting Pronouncements (continued):

Early adoption is permitted. The Agency is currently evaluating the impact on the results of operations, financial condition and cash flows, and has not determined the impact on its financial statements at this time.

In March 2016, the FASB issued ASU No. 2016-02, *Leases*. The objective of ASU No. 2016-02 is to increase transparency and comparability among organizations by reorganizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. ASU No. 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The Agency is currently evaluating the impact on the results of operations, financial condition and cash flows, and has not determined the impact on its financial statements at this time.

In August 2016, the FASB issue ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. ASU No. 2016-14 is effective for annual reporting periods beginning after December 15, 2017, and shall be applied retrospectively. Early adoption is permitted. The Agency is currently evaluating the impact on the results of operations, financial condition and cash flows, and has not determined the impact on its financial statements at this time.

14. Subsequent Events:

Management has evaluated events through October 31, 2018, the date on which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER SUPPLEMENTAL INFORMATION

Cane River Children’s Services, Inc.  
Schedule of Compensation, Benefits and Other Payments to  
Agency Head or Chief Executive Officer  
For the Year Ended June 30, 2018

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees, be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2016, Act 462 of the 2016 Regular Session of the Louisiana Legislature further amended R.S. 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 Name:  
Jennifer Johnson-Karle, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 89,320
Benefits - Insurance	1,200
Benefits - Retirement	2,680
Benefits - SS/Medicare	6,654
Car Allowance	0
Cell Phone	780
Dues	0
Vehicle Rental	0
Per Diem	0
Reimbursements	0
Travel	0
Housing	0
Unvouchered Expenses	0
Special Meals	0
Other	0

See independent auditor’s report.

Cane River Children's Services, Inc.  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass-Through Entity No.	Federal Revenue/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass-through from State Department of Social Services:			
Resident Treatment Services for Foster Children - ARRA (Title IV - Foster Care)	93.658	010008200	\$768,412
<u>U. S. Department of Justice</u>			
Pass-through from Louisiana Commission on Law Enforcement:			
Crime Victim Assistance	16.575	2016-VA-02/04-3773	<u>71,159</u>
		TOTAL	<u>\$839,571</u>

See independent auditor's report.

Cane River Children's Services, Inc.  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cane River Children's Services, Inc. under programs of the federal government for the year ended June 30, 2018. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Cane River Children's Services, Inc. has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipients, Non-Cash Assistance, Federal Insurance, Loans, and Loan Guarantees

Cane River Children's Services, Inc. did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, loans, or loan guarantees.

## INTERNAL CONTROL AND COMPLIANCE

# Johnson, Thomas & Cunningham

## Certified Public Accountants

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

To the Board of Directors of  
Cane River Children's Services, 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 Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 October 31, 2018.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cane River Children's Services, 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 Cane River Children's Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cane River Children's Services, Inc.'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, we during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As described in the accompanying schedule of findings and questioned costs, we identified one deficiency described as *Item 2018-001 - Segregation of Duties* which we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Cane River Children's Services, Inc.'s Response to Findings**

Cane River Children's Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cane River Children's Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

## **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 purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Johnson, Thomas + Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

October 31, 2018  
Natchitoches, Louisiana

# Johnson, Thomas & Cunningham

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of  
Cane River Children's Services, Inc.  
Natchitoches, LA 71457

#### Report on Compliance for Each Major Federal Program

We have audited Cane River Children's Services, Inc. (Agency) 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 Agency's major federal programs for the year ended June 30, 2018. The Agency'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 Agency'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 Agency's compliance.

## Opinion on Each Major Federal Program

In our opinion, Cane River Children's Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

Management of Cane River Children's Services, Inc. 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 Agency's internal control over compliance with the 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 Agency'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 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Johnson, Thomas + Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

October 31, 2018  
Natchitoches, Louisiana

Cane River Children's Services, Inc.  
Schedule of Findings and Questioned Costs  
June 30, 2018

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement**

Type of Auditor's Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	No
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	Yes (2018-001)
Noncompliance Material to Financial Statements Noted?	No

**Federal Awards Section**

Internal Control over Major Programs:	
Material Weakness(es) Identified?	No
Type of Auditor's Report Issued on Compliance for Major Federal Programs	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?	No
Identification of Major Program:	
- Residential Treatment Services for Foster Children      CFDA 93.658	
Dollar Threshold used to Determine Type A Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee:	No

Cane River Children's Services, Inc.  
Schedule of Findings and Questioned Costs (continued)  
June 30, 2018

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Internal Control-

*2018-001 Segregation of Duties*

*Criteria* - Cane River Children's Services, Inc. should have employees available to execute the ongoing duties related to financial matters.

*Condition* - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements, including the related note disclosures.

*Cause* - Due to a lack of funds, Cane River Children's Services, Inc. does not have a sufficient number of employees to adequately separate accounting duties or to prepare the agency's annual financial statements with related note disclosures.

*Effect* - Intentional or unintentional errors could be made and not detected within the accounting system.

*Recommendation* - Since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

The following findings relate to the major federal award programs for Cane River Children's Services, Inc.:

*None identified.*



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October 31, 2018

**Executive Board**

Tonya Conlay  
Rick Hargis  
Lisa Johnson  
Gail Jones  
Jennifer Karle  
Calvin McFerrin  
Tommy Murchison  
Vicki Parrish  
Lisa Causey Streete  
Frances Welch

Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70802

RE: Cane River Children's Services, Inc.  
Financial Report – June 30, 2018

The following is our response to the audit findings issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2018:

Management's Corrective Action Plan:

2018-01 Segregation of Duties

Cane River Children's Services is a small non-profit organization with limited revenue and personnel. Although there are multiple checks and balances in Accounts Payable, and another position was added to assist with the Segregation of Duties and internal controls, the limited size of our organization continues to restrict the reasonable use of hiring additional personnel to address this audit finding. The Board of Directors regularly reviews the financial statements and accepts responsibility for their contents and presentation.

Thank you for your assistance and oversight in providing quality auditing guidelines. Please contact us if there are any questions regarding our response.

Sincerely,

Jennifer Johnson Karle  
Chief Executive Officer

Tanya Conlay  
Board Treasurer

Cane River Children's Services, Inc.  
Summary of Prior Year's Findings  
June 30, 2018

SECTION I: SCHEDULE OF FINANCIAL STATEMENT FINDINGS

*2017-001 Segregation of Duties*

*Condition* - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements including the related note disclosures.

*Current Status* - For the year ended June 30, 2018, this condition was not cleared. See finding 2018-001.

SECTION II: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None identified.

# Johnson, Thomas & Cunningham

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING STATEWIDE AGREED-UPON PROCEDURES

To the Board of Directors of  
Cane River Children's Services, Inc.  
Natchitoches, LA 71457

We have performed the procedures enumerated below, which were specified and agreed to by the Board of Directors of Cane River Children's Services, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. Cane River Children's Services is responsible for internal controls and compliance with laws and regulations relative to the SAUPs and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accounts and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of Cane River Children's Services, Inc. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are enumerated below.

#### ***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):

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

*Written policies and procedures were obtained and address the functions noted above.*

- ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*Written policies and procedures were obtained and address the functions noted above.*

- ***Disbursements***, including processing, reviewing, and approving

*Written policies and procedures were obtained and address the functions noted above.*

- **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., period confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*Written policies and procedures were obtained and address the functions noted above.*

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

*Written policies and procedures were obtained and address the functions noted above.*

- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

*Written policies and procedures were obtained and address the functions noted above.*

- **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 (e.g., determining the reasonableness of fuel card purchases).

*Written policies and procedures were obtained and address the functions noted above.*

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

*Written policies and procedures were obtained and address the functions noted above.*

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

*This section is not applicable to Cane River Children's Services (a nonprofit organization).*

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

*This section is not applicable to Cane River Children's Services (a nonprofit organization).*

***Board (or Finance Committee, if applicable)***

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

*We obtained the board minutes for the year, noting the board met in accordance with their policies, without exception.*

- For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

*Budget-to-actual financial statements are presented at each board meeting.*

- For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*Not applicable to the nonprofit organization.*

***Bank Reconciliations***

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3. 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:

- Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*No exceptions were noted in these procedures for bank reconciliations.*

- 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, dated, electronically logged); and

*No exceptions were noted in these procedures for bank reconciliations.*

- 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.

*No exceptions were noted in these procedures for bank reconciliations.*

*Collections*

---

4. 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 5 deposit sites (or all deposit sites if less than 5).

*The organization has only one deposit site.*

5. 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., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies and procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each location such that:

- Employees that are responsible for cash collections do not share cash drawers/registers.

*No exceptions were noted in this procedure.*

- 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.

*No exceptions were noted in this procedure.*

- 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.

*No exceptions were noted in this procedure.*

- 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.

*No exceptions were noted in this procedure.*

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

*All employees are covered by insurance policy for theft.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 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). Alternatively, 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:

- Observe that receipts are sequentially pre-numbered.
- Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- Trace the deposit slip total to the actual deposit per the bank statement.
- 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).
- Trace the actual deposit per the bank statement to the general ledger.

*No exceptions were noted in these procedures. It was noted that the organization does not use pre-numbered receipt books, as most, if not all, funds are received via mail or EFT. Letters of acknowledgement are issued for all monetary donations.*

***Non-Payroll Disbursements - (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*Management represented that the Council has only one location that processes payments.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions were noted in this procedure.*

- At least two employees are involved in processing and approving payments to vendors.

*No exceptions were noted in this procedure.*

- The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*No exceptions were noted in this procedure.*

- Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions were noted in this procedure.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation transaction and

- Observe that the disbursement matched the related original invoice/billing statement.

*No exceptions noted in the sampled disbursements.*

- Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*No exceptions noted in the sampled disbursements.*

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) 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:

- 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) 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.]
- Observe that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*No procedures were required for this category due to no exceptions in the prior year.*

### ***Travel and Travel-Related Expense Reimbursements***

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14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
- If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*No procedures were required for this category due to no exceptions in the prior year.*

### ***Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
  - Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
  - If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
  - Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

*No procedures were required for this category due to no exceptions in the prior year.*

### ***Payroll and Personnel***

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16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- Observe that supervisors approved the attendance and leave of the selected employees/officials.
- Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employee/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/official's personnel files.

18. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*No procedures were required for this category due to no exceptions in the prior year.*

#### ***Ethics (excluding nonprofits)***

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19. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*Not applicable to nonprofit organizations.*

#### ***Debt Service (excluding nonprofits)***

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20. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
21. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*Not applicable to nonprofit organizations.*

*Other*

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22. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Per discussion with management, there were no misappropriations of public funds or assets during the period.*

23. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

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.

*Johnson, Thomas + Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

October 31, 2018  
Natchitoches, Louisiana