

**THE ASSOCIATION FOR RETARDED
CITIZENS OF SABINE, INC.**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

The Association for Retarded Citizens of Sabine, Inc.
Annual Financial Report
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Association for Retarded Citizens of Sabine, Inc.
P. O. Box 1150
Many, LA 71449

Report on the Financial Statements

We have audited the accompanying financial statements of the Association for Retarded Citizens of Sabine, 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 Association for Retarded Citizens of Sabine, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Association for Retarded Citizens of Sabine, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Association for Retarded Citizens of Sabine, Inc. taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the Association for Retarded Citizens of Sabine, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association for Retarded Citizens of Sabine, 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 December 19, 2018, on the results of our state wide 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 state wide 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
Natchitoches, Louisiana

December 19, 2018

FINANCIAL STATEMENTS

The Association for Retarded Citizens of Sabine, Inc.
Statement of Financial Position
For the Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	2018			2017 Total
	Group Homes	Sheltered Workshop & Adult Habilitation	Total	
ASSETS:				
Cash	\$ 191,882	\$1,254,072	\$1,445,954	\$1,287,044
Certificates of Deposit	0	51,221	51,221	51,144
Revenue Receivables	167,632	269,376	437,008	463,836
Other Receivables	75,896	750	76,646	0
Inventory	0	67,093	67,093	51,902
Prepaid Expenses	53,597	2,295	55,892	56,547
Deposits	1,998	2,010	4,008	2,230
Property, Buildings & Equipment, Net	753,924	242,438	996,362	960,976
Total Assets	\$1,244,929	\$1,889,255	\$3,134,184	\$2,873,679
LIABILITIES:				
Accounts payable	\$ 55,467	\$ 59,392	\$ 114,859	\$ 101,096
Payroll taxes payable	2,163	2,533	4,696	4,553
Salaries payable	22,597	23,290	45,887	42,438
Compensated Absences payable	128,472	37,650	166,122	160,377
Sales taxes payable	0	173	173	246
Property taxes payable	0	2,512	2,512	2,405
Total Liabilities	\$ 208,699	\$ 125,550	\$ 334,249	\$ 311,115
NET ASSETS:				
Unrestricted	\$1,036,230	\$1,763,705	\$2,799,935	\$2,562,564
Total Liabilities & Net Assets	\$1,244,929	\$1,889,255	\$3,134,184	\$2,873,679

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

The Association for Retarded Citizens of Sabine, Inc.
Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	2018			2017 Total
	Group Homes	Sheltered Workshop & Adult Habilitation	Total	
Unrestricted Net Assets:				
Support:				
Medicaid	\$2,024,041	\$ 0	\$2,024,041	\$2,055,366
Charges for services and fees	151,367	2,201,991	2,353,358	2,594,509
Rentals	0	22,980	22,980	22,980
Interest and dividends	4,030	831	4,861	3,151
Miscellaneous	240	1,831	2,071	1,707
Proceeds (Loss) on sale of assets	19,606	(1,507)	18,099	2,232
Total Revenues, Gains and Other Support	<u>\$2,199,284</u>	<u>\$2,226,126</u>	<u>\$4,425,410</u>	<u>\$4,679,945</u>
Expenses:				
Program services	\$1,627,569	\$1,855,373	\$3,482,942	\$3,698,907
Management and general	<u>602,986</u>	<u>430,391</u>	<u>1,033,377</u>	<u>1,160,012</u>
Total Expenses	<u>\$2,230,555</u>	<u>\$2,285,764</u>	<u>\$4,516,319</u>	<u>\$4,858,919</u>
Deficit of Revenues over Expenses	\$ (31,271)	\$ (59,638)	\$ (90,909)	\$ (178,974)
Other Financing Sources (Uses):				
Transfer In (Out)	<u>(7,532)</u>	<u>7,532</u>	<u>0</u>	<u>0</u>
Loss before Unusual Item	\$ (38,803)	\$ (52,106)	\$ (90,909)	\$ (178,974)
Unusual Gain on Casualty Claim	<u>328,280</u>	<u>0</u>	<u>328,280</u>	<u>0</u>
Change in Unrestricted Net Assets	\$ 289,477	\$ (52,106)	\$ 237,371	\$ (178,974)
Net Assets-Beginning of Year	<u>746,753</u>	<u>1,815,811</u>	<u>2,562,564</u>	<u>2,741,538</u>
Net Assets-End of Year	<u>\$1,036,230</u>	<u>\$1,763,705</u>	<u>\$2,799,935</u>	<u>\$2,562,564</u>

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

The Association for Retarded Citizens of Sabine, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	2018			2017 Total
	Group Homes	Sheltered Workshop & Adult Habilitation	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in Net Assets	\$ 289,477	\$ (52,106)	\$ 237,371	\$(178,974)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities-				
Depreciation	59,010	27,203	86,213	90,698
(Increase)/Decrease in operating assets				
Revenue Receivables	(46,280)	28,951	(17,329)	24,631
Other Receivables	(31,739)	(750)	(32,489)	
Inventory	0	(15,191)	(15,191)	(21,652)
Prepaid Expenses	700	(45)	655	12,154
Deposits	(1,778)	0	(1,778)	0
Increase/(Decrease) in operating liabilities				
Accounts payable and accruals	783	13,635	14,418	36,882
Payroll and payroll taxes payable	2,207	1,385	3,592	(101,287)
Compensated absences payable	7,302	(1,557)	5,745	6,893
Net Cash Provided (Used) in Operating Activities	<u>\$ 279,682</u>	<u>\$ 1,525</u>	<u>\$ 281,207</u>	<u>\$(130,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earned on Investment	\$ 0	\$ 77	\$ 77	\$ 102
Gain on Sale of Assets	5,032	1,682	6,714	2,232
Purchase and construction of assets	(116,693)	(12,395)	(129,088)	(94,093)
Net Cash Used by Investing Activities	<u>\$(111,661)</u>	<u>\$ (10,636)</u>	<u>\$ (122,297)</u>	<u>\$ (91,759)</u>
Net Increase (Decrease) in Cash	\$ 168,021	\$ (9,111)	\$ 158,910	\$(222,414)
Cash-Beginning of Year	23,861	1,263,183	1,287,044	1,509,458
Cash-End of Year	<u>\$ 191,882</u>	<u>\$1,254,072</u>	<u>\$1,445,954</u>	<u>\$1,287,044</u>

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

The Association for Retarded Citizens of Sabine, Inc.
Combined Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for June 30, 2017)

	2018			2017 Total
	Program Services	Management and General	Total	
COMPENSATION AND RELATED EXPENSES:				
Salaries	\$2,189,769	\$ 438,341	\$2,628,110	\$2,754,260
Employee Benefits	98,622	40,623	139,245	154,808
Payroll Taxes	172,625	23,481	196,106	206,583
Workman's Compensation insurance	32,330	7,358	39,688	42,665
Total Compensation and Related Expenses	<u>\$2,493,346</u>	<u>\$ 509,803</u>	<u>\$3,003,149</u>	<u>\$3,158,316</u>
OCCUPANCY EXPENSES:				
Insurance	\$ 33,228	\$ 7,402	\$ 40,630	\$ 39,735
Depreciation	38,799	5,673	44,472	45,739
Repairs and maintenance	20,773	19,120	39,893	53,753
Property taxes	4,941	0	4,941	5,068
Utilities	72,244	6,343	78,587	79,558
Total Occupancy Expenses	<u>\$ 169,892</u>	<u>\$ 38,538</u>	<u>\$ 208,523</u>	<u>\$ 223,853</u>
TRANSPORTATION EXPENSES:				
Fuel & Oil	\$ 52,922	\$ 10,135	\$ 63,057	\$ 60,902
Repairs & Maintenance	19,774	2,326	22,100	35,615
Depreciation	24,315	2,423	26,738	28,624
Insurance	25,998	9,978	35,976	35,109
Total Transportation Expenses	<u>\$ 123,009</u>	<u>\$ 24,862</u>	<u>\$ 147,871</u>	<u>\$ 160,250</u>
OTHER EXPENSES:				
Bad debts	\$ 3,519	\$ 0	\$ 3,519	\$ 800
Central Office expense	0	266,984	266,984	380,236
Clothing and hygiene	15,150	0	15,150	14,974
Client recreation	5,672	0	5,672	8,311
Contract services	63,087	39,267	102,354	90,846
Dues	0	12,555	12,555	12,564
Food	159,722	0	159,722	175,170
Professional fees	0	70,740	70,740	66,995
Repairs and maintenance	27,424	17,978	45,402	53,305
Insurance	5,560	19,080	24,640	25,254
Licenses	7,487	0	7,487	5,866
Provider fees	204,766	0	204,766	206,914
Supplies	176,683	20,626	197,309	232,109
Telephone	6,837	2,552	9,389	9,212
Training and travel	0	86	86	2,448
Depreciation	11,474	3,621	15,095	16,336
Miscellaneous	9,221	6,685	15,906	15,160
Total Other Expenses	<u>\$ 696,602</u>	<u>\$ 460,174</u>	<u>\$1,156,776</u>	<u>\$1,316,500</u>
Total Functional Expenses	<u>\$3,482,942</u>	<u>\$1,033,377</u>	<u>\$4,516,319</u>	<u>\$4,858,919</u>

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

NOTES TO FINANCIAL STATEMENTS

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The Association for Retarded Citizens of Sabine, Inc., (hereafter, the Association) is a nonprofit organization incorporated August 13, 1970, whose purpose is to a) promote the general welfare of the mentally retarded citizens everywhere (at home, at school, in the community, and in institutions), b) aid the parents and families of mentally retarded citizens in the solution of personal, family and social problems arising from mental retardation, c) cooperate with all public and private agencies, organizations, groups and individuals working for the welfare of mentally retarded citizens, d) promote through dissemination of information to the general public, a fuller and more sympathetic understanding of the problems of mental retardation, their wide prevalence, and consequential social implications, e) help provide facilities for evaluation, care, treatment, education and employment of mentally retarded citizens, f) research into all phases of mental retardation: the causes, prevention, medical and social treatment, special educational methods, and opportunities for employment, g) train and educate both professional and nonprofessional personnel for work in the field of mental retardation, h) serve as a clearinghouse of information concerning mental retardation and activities on behalf of the mentally retarded in Sabine Parish, i) help foster local, state and national legislation on behalf of mentally retarded citizens.

The Association operates three separate divisions: (1) Adult Habilitation Program, receives funding from the State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities to provide adult day services for at least 240 days each year; (2) Sheltered Workshop is a self-supportive program that generates revenues through contracts with private individuals and companies for the provision of services performed by the clients of the Workshop; and (3) Group Residential Services, which operates six group homes for the benefit of mentally handicapped individuals. The purpose of the group homes is to provide for the needs of mentally handicapped individuals in the area of appropriate residential living. The Community Homes receive funding from the United States Department of Health and Human Services, Medical Assistance Program, Title XIX, and Medicaid, as administered by the State of Louisiana, Department of Health and Hospitals. The Association's Community Homes division reimburses the Adult Habilitation Program for actual expenses incurred by the program to provide day training and supervision to participating group home residents.

B. Promises to Give:

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

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

C. Net Assets:

The Association has adopted Statement of Financial Accounting Standards Board ASC 958, and is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. None of the Association's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under FASB ASC 958.

D. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Property, Plant, and Equipment:

Donations of property, plant, and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. When donor stipulations are absent regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. The Association maintains a threshold level of \$5,000 or more for capitalizing property and equipment. Property and equipment are depreciated using the straight-line method.

F. Contributions:

The Association has elected to adopt FASB 958-605, "Not for Profit Entities – Revenue Recognition." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

G. Income Taxes:

The Association 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. The Association's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

H. Inventories:

The Sheltered Workshop maintains inventories at the production center, the woodshop center, and car care. Inventories are stated at cost.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

I. Cash and Cash Equivalents:

Consistent with FASB 95, Statement of Cash Flows, the Association defines cash and cash equivalents to include all currency on hand, demand and time deposits with banks, and highly liquid investments with maturity dates of less than three months. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

J. Basis of Accounting:

The Association 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.

K. 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 Association's financial position and results of operations.

NOTE 2 CASH AND CERTIFICATES OF DEPOSIT

The cash and cash equivalents of the Association are subject to the following risk:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Association 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 Association 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 Association's name.

At June 30, 2018, the Association had cash and certificates of deposit (book balances) as follows:

Petty cash	\$ 2,000
Demand deposits	1,443,954
Certificates of deposit	<u>51,221</u>
Total cash and investments	<u>\$1,497,175</u>

Bank account balances at June 30, 2018, totaled \$1,571,585. Of this amount, \$551,221 was secured from risk by federal deposit insurance and \$1,020,364 by pledged securities.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

NOTE 3 RECEIVABLES

At June 30, 2018, the Association had receivables as follows:

	<u>Group Homes</u>	<u>Sheltered Workshop</u>	<u>Total</u>
Revenue Receivables:			
Medicaid	\$160,596	\$250,740	\$411,336
Charges for services and fees	6,204	18,618	24,822
Employee insurance	<u>832</u>	<u>18</u>	<u>850</u>
Total Revenue Receivables	<u>\$167,632</u>	<u>\$269,376</u>	<u>\$437,008</u>
Other Receivables:			
Fire Damage Insurance Claims	\$ <u>75,896</u>	\$ <u>750</u>	\$ <u>76,646</u>

NOTE 4 PLANT AND EQUIPMENT

All plant and equipment are stated at historical cost. Depreciation is charged as an expense against operations and has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10-30 years
Furniture and equipment	5-10 years
Automobiles	3-5 years

A summary of plant and equipment at June 30, 2018, is presented below:

	<u>Balance 6-30-18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-18</u>
Fixed Assets, not depreciated:				
Land	\$ 231,200	\$ 0	\$ 0	\$ 231,200
Construction in Progress	5,778	70,665	0	76,443
Depreciable Assets:				
Buildings and Improvements	1,328,362	8,270	28,544	1,308,088
Furniture and Equipment	164,039	12,395	15,828	160,606
Vehicles	<u>389,002</u>	<u>37,758</u>	<u>39,123</u>	<u>387,637</u>
Total Fixed Assets	<u>\$2,118,381</u>	<u>\$129,088</u>	<u>\$83,495</u>	<u>\$2,163,974</u>
Accumulated Depreciation	<u>1,157,405</u>	<u>86,305</u>	<u>76,098</u>	<u>1,167,612</u>
Net Fixed Assets	<u>\$ 960,976</u>	<u>\$ 42,783</u>	<u>\$ 7,397</u>	<u>\$ 996,362</u>

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in activities.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

NOTE 4 PLANT AND EQUIPMENT (continued)

For the year ending June 30, 2018, depreciation expense totaled \$86,305, with \$51,957 charged to Group Homes and \$34,348 charged to Sheltered Workshop & Adult Habilitation.

NOTE 5 LEASE OBLIGATIONS

The Association entered a Real Estate Lease Agreement on November 10, 2017, for a temporary office site during the reconstruction of its administrative building that was damaged by fire on November 7, 2017. The lease provides for payment of \$1,000 due by the first day of each month. The lease term is for a minimum of three months and a maximum of six months, with provisions for renewal upon agreement of the parties.

NOTE 6 LINE OF CREDIT

On August 25, 2012, the Association signed a loan agreement with MidSouth Bank for a \$50,000 line of credit, bearing interest at 3.0% with monthly interest payments through maturity on August 25, 2015. At June 30, 2018, the outstanding balance on the line of credit was \$0. No principal or interest payments were made on the line of credit during the year ended June 30, 2018.

NOTE 7 LITIGATION AND CONTINGENCIES

According to management and its legal representation, the Association was not involved in any litigation as of June 30, 2018. The Association has insurance claims pending for damages to property and contents relating to the fire which occurred on November 7, 2017. These amounts are included in Other Receivables. A potential claim for business interruption losses is being considered by the Association; however, the ultimate recovery under a business interruption policy is highly judgmental and typically subject to substantial negotiations, therefore no gain or loss for any potential recovery is recognized in the financial statements.

NOTE 8 COMPENSATED ABSENCES

The Association's employees are entitled to certain compensated absences based on their length of employment. Leave is accrued beginning on the hire date with the accrual rate as follows:

<u>Full-Time Employment</u>	<u>Days Earned Per Year</u>
0-3 Years	5
3-5 Years	6
5-10 Years	8
10-15 Years	10
More Than 15 Years	13

All unused leave time may be carried over to the next year. Due to a revision of the leave policy on January 1, 2012, all leave accrued prior to January 1, 2012 was converted into one category. When an employee separates from the Association for any reason, he or she will be paid for unused leave using the following percentages:

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

NOTE 8 COMPENSATED ABSENCES (continued)

<u>Employment Ending</u>	<u>% of Leave Paid</u>
January 1- December 31, 2015	80%
After December 31, 2015	100%

The following is a summary of the compensated absences activity for the year ended June 30, 2018.

	<u>Balance</u> <u>7/1/2017</u>	<u>Increases</u> <u>(Decreases)</u>	<u>Balance</u> <u>6/30/2017</u>
Group Homes	\$121,170	\$ 7,302	\$128,472
Sheltered Workshop & Adult Habilitation	<u>39,207</u>	<u>(1,557)</u>	<u>37,650</u>
Total	<u>\$160,377</u>	<u>\$ 5,745</u>	<u>\$166,122</u>

NOTE 9 BOARD OF DIRECTORS

Members of the Board of Directors participate on a voluntary basis and receive no compensation for their services.

NOTE 10 RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association.

The State of Louisiana is the primary source of revenues for the Association. In the future, financial problems of the State of Louisiana may result in reduced funding. It is possible certain programs may be severely affected by these declining revenues. However, management believes changes can be incorporated into the continuing operations without a catastrophic result.

NOTE 11 DEFINED CONTRIBUTION PENSION PLAN

The Association implemented a 403(b) single-employer, defined contribution pension plan effective August 1, 2012. Benefit terms, including contribution requirements, are established and may be amended by the Association's board of directors. In accordance with the plan, the Association will match up to 4% of an eligible employee's compensation, depending on the annual budget and finances available at the time. For the year ended June 30, 2018, employee contributions totaled \$65,328 and the Association recognized pension expense of \$32,341.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

NOTE 12 INVENTORY

At June 30, 2018, the major classes of inventory were as follows:

	<u>Raw Materials</u>	<u>Finished Goods</u>	<u>Merchandise</u>	<u>Total</u>
Production Center	\$28,675	\$ 0	\$ 0	\$28,675
Car Care	0	0	5,014	5,014
Wood Shop	<u>23,197</u>	<u>10,207</u>	<u>0</u>	<u>33,404</u>
Total Inventory	<u>\$51,872</u>	<u>\$10,207</u>	<u>\$5,014</u>	<u>\$67,093</u>

NOTE 13 UNUSUAL GAIN

On November 7, 2017, the Association's administrative building located at 545 San Antonio Avenue in Many, Louisiana, suffered extensive fire damage. During the year ended June 30, 2018, the Association received two payments totaling \$339,867 from its insurance carrier to cover replacement costs for the damaged property and contents. After recognition of receivables and costs for the debris removal phase of their reconstruction plan, the Association recognized \$328,280 as an unusual gain in the financial statements.

NOTE 14 ADVERTISING

The Association expenses advertising costs as they are incurred. Advertising expenses for the years ended June 30, 2018 and 2017, were \$354 and \$256, respectively.

NOTE 15 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. 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.

The Association for Retarded Citizens of Sabine, Inc.
Notes to Financial Statements
June 30, 2018

NOTE 15 NEW ACCOUNTING PRONOUNCEMENTS (continued)

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.

NOTE 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2018, the date which the financial statements were available for issue, and to determine whether there were any events that require disclosure.

SUPPLEMENTARY INFORMATION

The Association for Retarded Citizens of Sabine, Inc.
Statement of Functional Expenses
Group Homes
Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES:			
Employee benefits	\$ 54,453	\$ 20,275	\$ 74,728
Salaries	867,425	354,702	1,222,127
Payroll Taxes	71,712	16,175	87,887
Workman's Compensation Insurance	<u>12,462</u>	<u>3,432</u>	<u>15,894</u>
Total Compensation and Related Expenses	<u>\$1,006,052</u>	<u>\$394,584</u>	<u>\$1,400,636</u>
OCCUPANCY EXPENSES:			
Insurance	\$ 15,106	\$ 5,210	\$ 20,316
Depreciation	31,720	1,753	33,473
Repairs and Maintenance	18,095	12,501	30,596
Utilities	<u>46,189</u>	<u>2,427</u>	<u>48,616</u>
Total Occupancy Expenses	<u>\$ 111,110</u>	<u>\$ 21,891</u>	<u>\$ 133,001</u>
TRANSPORTATION EXPENSES:			
Fuel & Oil	\$ 13,981	\$ 4,727	\$ 18,708
Repairs & Maintenance	4,870	1,085	5,955
Depreciation	13,764	1,130	14,894
Insurance	<u>10,857</u>	<u>4,654</u>	<u>15,511</u>
Total Transportation Expenses	<u>\$ 43,472</u>	<u>\$ 11,596</u>	<u>\$ 55,068</u>
OTHER EXPENSES:			
Bad debts	\$ 44	\$ 0	\$ 44
Central office expense	0	82,035	82,035
Clothing and hygiene	15,150	0	15,150
Client recreation	4,032	0	4,032
Contract services	62,277	18,658	80,935
Dues	0	5,856	5,856
Food	121,985	0	121,985
Professional fees	0	32,993	32,993
Repairs and maintenance	5,830	8,385	14,215
Insurance	5,560	9,499	15,059
Licenses	3,725	0	3,725
Provider fees	204,766	0	204,766
Supplies	37,500	9,592	47,092
Telephone	2,778	1,190	3,968
Travel and Training	0	40	40
Depreciation	1,901	1,689	3,590
Miscellaneous	<u>1,387</u>	<u>4,979</u>	<u>6,366</u>
Total Other Expenses	<u>\$ 466,935</u>	<u>\$174,916</u>	<u>\$ 641,851</u>
Total Functional Expenses	<u>\$1,627,569</u>	<u>\$602,987</u>	<u>\$2,230,556</u>

See independent auditor's report.

The Association for Retarded Citizens of Sabine, Inc.
Statement of Functional Expenses
Sheltered Workshop & Adult Habilitation
Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES:			
Employee benefits	\$ 44,169	\$ 20,348	\$ 64,517
Salaries	1,322,344	83,639	1,405,983
Payroll Taxes	100,913	7,306	108,219
Workman's Compensation Insurance	<u>19,868</u>	<u>3,926</u>	<u>23,794</u>
Total Compensation and Related Expenses	<u>\$1,487,294</u>	<u>\$115,219</u>	<u>\$1,602,513</u>
OCCUPANCY EXPENSES:			
Insurance	\$ 18,122	\$ 2,192	\$ 20,314
Depreciation	7,079	3,920	10,999
Repairs and Maintenance	2,678	6,619	9,297
Property Taxes	4,941	0	4,941
Utilities	<u>26,055</u>	<u>3,916</u>	<u>29,971</u>
Total Occupancy Expenses	<u>\$ 58,875</u>	<u>\$ 16,647</u>	<u>\$ 75,522</u>
TRANSPORTATION EXPENSES:			
Fuel & Oil	\$ 38,941	\$ 5,408	\$ 44,349
Repairs & Maintenance	14,904	1,241	16,145
Depreciation	10,551	1,293	11,844
Insurance	<u>15,141</u>	<u>5,324</u>	<u>20,465</u>
Total Transportation Expenses	<u>\$ 79,537</u>	<u>\$ 13,266</u>	<u>\$ 92,803</u>
OTHER EXPENSES:			
Bad debts	\$ 3,475	\$ 0	\$ 3,475
Client recreation	1,640	0	1,640
Contract services	810	20,609	21,419
Central Office Expense	0	184,949	184,949
Dues	0	6,699	6,699
Food	37,737	0	37,737
Professional Fees	0	37,747	37,747
Repairs and Maintenance	21,594	9,593	31,187
Insurance	0	9,581	9,581
Licenses	3,762	0	3,762
Supplies	139,183	11,034	150,217
Telephone	4,059	1,362	5,421
Travel/Training	0	46	46
Depreciation	9,573	1,932	11,505
Miscellaneous	<u>7,834</u>	<u>1,706</u>	<u>9,540</u>
Total Other Expenses	<u>\$ 229,667</u>	<u>\$285,258</u>	<u>\$ 514,925</u>
Total Functional Expenses	<u>\$1,855,373</u>	<u>\$430,390</u>	<u>\$2,285,763</u>

See independent auditor's report.

The Association for Retarded Citizens of Sabine, Inc.
Board of Directors
June 30, 2018

President	Pete Abington
Vice-President	Wilton Anthony
Secretary	Vicki Sistrunk
Treasurer	Mary Hariel
Legal Counsel	John W. Pickett
Board Member	Jean Rains
Board Member	Suzette Anderson
Board Member	Gloria Ruffin
Board Member	Daniel Lowe
Board Member	Ted Fontenot

The Association for Retarded Citizens of Sabine, Inc.
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2018

Agency Head Name: Calvin Wayne Martinez, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$75,476
Benefits- Insurance	5,648
Benefits- Retirement	2,345
Benefits- Payroll Taxes	5,774
Car allowance	0
Cell phone	0
Dues	0
Vehicle rental	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
Other	<u>0</u>
Total	<u>\$89,243</u>

See independent auditor's report.

OTHER REPORTS

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation
Jessica H. Broadway, CPA – A Professional Corporation
Ryan E. Todtenbier, CPA – A Professional Corporation

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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
The Association for Retarded Citizens of Sabine, Inc.
P. O. Box 1150
Many, LA 71449

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 the Association for Retarded Citizens of Sabine, 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 December 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association for Retarded Citizens of Sabine, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association for Retarded Citizens of Sabine, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association for Retarded Citizens of Sabine, 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 Association for Retarded Citizens of Sabine, Inc.'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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control that we consider to be a significant deficiency, described in the accompanying Schedule of Audit Findings as *Item 2018-001 – Supervision of Personnel*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association for Retarded Citizens of Sabine, 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*.

Response to Finding

The Association for Retarded Citizens of Sabine, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Association for Retarded Citizens of Sabine, Inc.'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 Association for Retarded Citizens of Sabine, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, 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
Natchitoches, Louisiana

December 19, 2018

The Association for Retarded Citizens of Sabine, Inc.
Schedule of Audit Findings
Year Ended June 30, 2018

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expressed an unmodified opinion on the financial statements of the Association for Retarded Citizens of Sabine, Inc. as of and for the year ended June 30, 2018.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness, identified as finding 2018-001 – *Supervision of Personnel*.
3. No instances of noncompliance material to the financial statements of the Association for Retarded Citizens of Sabine, Inc. were disclosed during the audit for the year ended June 30, 2018.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following finding relates to the financial statements and is required to be reported in accordance with *Government Auditing Standards*:

Internal Control-

2018-001 *Supervision of Personnel*

Criteria - Although the Association's personnel policies do not prohibit the hiring of family members, best practices dictate that the hiring of immediate and/or close family members should be avoided if the employment would create either a direct or indirect supervisor/subordinate relationship with a family member, or would create an actual conflict of interest or the appearance of a conflict of interest.

Condition – Audit procedures have identified instances of Association employees being supervised by immediate and/or close family members. The supervisory duties include the hiring of employees, approval of expenses, assignment of work schedules, approval of time cards, and distribution of payroll checks.

Cause – The Association is a non-profit organization, whose employees are not considered “public” employees. Therefore, the Association has routinely hired employees who are assigned duties under the supervision of immediate family members.

Effect – Transactions between related personnel within the Association can lead to override of internal controls, which leaves the Association exposed to many risks including, but not limited to, the risk of improper or unauthorized transactions (including payroll); misappropriation of assets; and incomplete, inaccurate or fraudulent financial reporting.

Recommendation – The Association should design and implement a personnel policy which prohibits the direct or indirect supervisor/subordinate relationship between family members, and should reassign current employees to duties that avoid such relationship within the Association.

The Association for Retarded Citizens of Sabine, Inc.
Schedule of Audit Findings (Continued)
Year Ended June 30, 2018

III. PRIOR YEAR FINDINGS

2017-001 Segregation of Duties

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties over cash receipts and payroll preparation. The receipt of funds, bank deposits and bank reconciliations are performed by the same individual. The same individual prepares and distributes the payroll checks, with no evidence of management approval.

Status – For the year ended June 30, 2018, this finding was cleared.

2017-002 Internal Control over Expenditures

Condition – Our evaluation of internal control revealed several instances of lack of management review and/or approval of expenditures.

Status – For the year ended June 30, 2018, this finding was cleared.



Achieve with us.

December 19, 2018

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

Re: The Association for Retarded Citizens of Sabine, Inc.
Financial Report – June 30, 2018

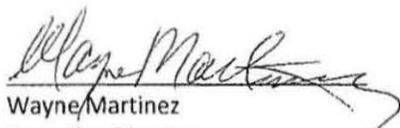
The following is our response to the audit finding issued to us by the firm Johnson, Thomas & Cunningham, CPA's for the year ended June 30, 2018:

Management's Corrective Plan:

2018-001 *Supervision of Personnel –*
Management will design and implement a personnel policy which prohibits the direct or indirect supervisor/subordinate relationship between family members, and will reassign current employees to duties that avoid such relationship.

Please contact us if there are any questions regarding our response.

Sincerely,


Wayne Martinez
Executive Director

Johnson, Thomas & Cunningham

Certified Public Accountants

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

To the Board of Directors of
The Association for Retarded Citizens
of Sabine, Inc.
P. O. Box 1150
Many, LA 71449

We have performed the procedures enumerated below, which were specified and agreed to by the Board of Directors of the Association for Retarded Citizens of Sabine, Inc. (the "Association") 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. The Association 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 the Association. 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 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

Results: 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.

Results: Written policies and procedures were obtained and address the functions noted above, except the policy did not outline procedures for who initiates purchases, adding vendors to the vendor list, nor the preparation/approval process of purchase orders.

Management's Response: The Association will amend its written purchasing policies and procedures to address how purchases are initiated, how vendors are added to the vendor list, and the preparation and approval process for purchase orders.

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

Results: The Association follows approved procedures for disbursements; however, there are no written policies and procedures for disbursements.

Management's Response: The Association will reduce to writing its policy and procedures on disbursements and include the functions of processing, reviewing and approving.

- **Receipts**, 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).

Results: The Association follows approved procedures for receipts; however, there are no written policies and procedures for receipts.

Management's Response: The Association will reduce to writing its policy and procedures on receipts and include the functions of receiving, recording and preparing deposits.

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

Results: 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

Results: There are no written policies and procedures for contracting.

Management's Response: The Association will design and implement a written policy on contracting, and include the functions of the types of services requiring written contracts, the standard terms and conditions for contracts, as well as the processes for legal review, approval and monitoring of contracts.

- **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).

Results: Although the Association follows approved procedures for credit cards, there are no written policies and procedures which specifically address credit cards.

Management's Response: The Association will expand its current policy to include a specific written policy on credit cards (including fuel cards) and include the functions of how cards are to be controlled, the allowable business uses, documentation requirements, required approvers, and monitoring card usage.

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

Results: 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 the Association.

- **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 the Association.

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.

Results: We obtained the Association's 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.
- 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; the Association is a nonprofit organization.

Bank Reconciliations

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);
 - 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
 - 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: 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).
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.
 - 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.
 - 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.
 - 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: The Car Care center and Thrift Store have only one cash register at each location, with multiple users sharing the registers. No other exceptions noted for the above procedures.

Management's Response: The Association considers it not feasible to have more than one cash register at the car care and thrift store locations due to the small number of employees responsible for collecting cash. Management will continue to oversee and monitor the controls in place for each cash collection location.

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

Results: No exceptions were noted for this procedure.

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.

Results: No exceptions were noted for the above procedures.

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

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).

Results: All payments are processed at the administrative office.

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

- 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.

Results: After signature by the responsible official, signed checks are returned for mailing to the person who is responsible for processing payments. No other exceptions were noted in the performance of the above procedures.

Management's Response: The Association will implement procedures to ensure that vendor payments are mailed by an employee who is not responsible for processing payments.

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 and:

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

Results: No exceptions were noted in the performance of the above procedures.

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

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.

Management provided the required listing.

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.

Results: No exceptions noted in the performance of these procedures.

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).

Results: One out of 40 transactions was missing an original receipt and approval. No other exceptions were noted.

Management's Response: The policies and procedures in place for credit card transactions requires an original itemized receipt. The one exception noted in the selection above was identified and verified by the employee, who misplaced the original receipt, and the supervisor who approved the purchase.

Travel and Expense Reimbursement

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

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

Contracts

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.

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

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: Salaries agreed to authorized pay rates with no exceptions.

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.

Results: No exceptions noted in the above procedures.

18. 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.

Results: No exceptions noted in the above procedures.

19. 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.

Results: No exceptions noted in the above procedures.

Ethics (excluding nonprofits)

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics compliance 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 – The Association is a nonprofit entity and is excluded from completing the ethics training.

Debt Service (excluding nonprofits)

21. 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.

Not applicable.

22. 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.

Other

23. 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 the Executive Director, there were no funds or assets misappropriated during the period.

24. 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.

We viewed the notice required by R.S. 24:523.1 posted on the Association's premises. The Association does not have a website.

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.

Respectfully,

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

December 19, 2018
Natchitoches, Louisiana

The Association for Retarded Citizens of Sabine, Inc.
Management's Response to Exceptions to
Statewide Agreed-Upon Procedures
For the Year Ended June 30, 2018

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 1: *Written Policies and Procedures-*

The Association will amend its written purchasing policies and procedures to address how purchases are initiated, how vendors are added to the vendor list, and the preparation and approval process for purchase orders.

The Association will design and implement a written policy on disbursements and include the functions of processing, reviewing and approving.

The Association will design and implement a written policy on receipts and include the functions of receiving, recording and preparing deposits.

The Association will design and implement a written policy on contracting and include the functions of the types of services requiring written contracts, the standard terms and conditions for contracts, as well as the processes for legal review, approval and monitoring.

The Association will expand its current policy to implement a specific written policy on all credit cards (including fuel cards) and include the functions of how cards are to be controlled, the allowable business uses, documentation requirements, required approvers, and monitoring card usage.

Item 5: *Collections-*

Management considers it not feasible to have more than one cash register at the car care and thrift store locations due to the small number of employees responsible for collecting cash. Management will continue to oversee and monitor the controls in place for each cash collection location.

Item 9: *Non-Payroll Disbursements-*

Management will implement procedures to ensure that vendor payments are mailed by an employee who is not responsible for processing payments.

Item 13: *Credit Cards/Debit Cards/Fuel Cards-*

The policies and procedures in place for credit card transactions require an original itemized receipt. The one exception noted in the selection above was identified and verified by the employee, who misplaced the original receipt, and the supervisor who approved the purchase.