

**AVOYELLES CHILD
DEVELOPMENT SERVICES, INC.**
Moreauville, Louisiana

Financial Report
Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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Ms. Evelyn Scallan, Executive Director, and
Members of the Board of Directors
Avoyelles Child Development Services, Inc.
Moreauville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Avoyelles Child Development Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 Avoyelles Child Development Services, Inc. as of December 31, 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

Other information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of Avoyelles Child Development 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 Avoyelles Child Development Services, Inc.'s internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 25, 2018

FINANCIAL STATEMENTS

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Statement of Financial Position
December 31, 2017

ASSETS

| | |
|-----------------------------|--------------------|
| Current assets: | |
| Cash | \$ 50,582 |
| Grants receivable | 34,426 |
| Prepaid expenses | <u>45,492</u> |
| Total current assets | 130,500 |
| Property and equipment, net | <u>2,617,841</u> |
| Total assets | <u>\$2,748,341</u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|--------------------|
| Current liabilities: | |
| Accounts payable | \$ 9,286 |
| Accrued salaries and related benefits | 31,141 |
| Notes payable | <u>59,499</u> |
| Total current liabilities | 99,926 |
| Long-term liabilities: | |
| Notes payable | <u>1,180,923</u> |
| Total liabilities | 1,280,849 |
| Net assets: | |
| Unrestricted | <u>1,467,492</u> |
| Total liabilities and net assets | <u>\$2,748,341</u> |

The accompanying notes are an integral part of this statement.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Statement of Activities
Year Ended December 31, 2017

| | |
|-------------------------------|--------------------|
| Support: | |
| Government grants | \$2,201,495 |
| Contributed services | 33,336 |
| Miscellaneous income | <u>2,968</u> |
| Total support | <u>2,237,799</u> |
| Expenses: | |
| Program services - | |
| Head Start | 1,749,060 |
| Early Head Start | 26,018 |
| Food Services | <u>203,613</u> |
| Total program services | 1,978,691 |
| Support services - | |
| Management and General | <u>279,677</u> |
| Total expenses | <u>2,258,368</u> |
| Change in net assets | (20,569) |
| Net assets, beginning of year | <u>1,488,061</u> |
| Net assets, end of year | <u>\$1,467,492</u> |

The accompanying notes are an integral part of this statement.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Statement of Functional Expenses
Year Ended December 31, 2017

| | Program Services | | | Management and General | Total |
|---|--------------------------|--------------------------------|-----------------------------|------------------------------|---------------------|
| | Head Start Program | Early Head Start Program | Food Services Program | | |
| Salaries | \$ 1,024,716 | \$ 15,871 | \$ 85,135 | \$ 142,125 | \$ 1,267,847 |
| Payroll taxes | 100,330 | 3,207 | 9,079 | 17,792 | 130,408 |
| Retirement | 29,014 | 225 | 2,325 | 8,975 | 40,539 |
| Total salaries and related expenses | <u>1,154,060</u> | <u>19,303</u> | <u>96,539</u> | <u>168,892</u> | <u>1,438,794</u> |
| Dues | - | - | - | 2,200 | 2,200 |
| Transportation cost | 28,000 | - | - | - | 28,000 |
| Food and nutrition | - | - | 93,776 | - | 93,776 |
| Insurance | 72,953 | - | - | 3,679 | 76,632 |
| Interest expense | 95,019 | - | - | - | 95,019 |
| Contributed services and facility costs | 33,336 | - | - | - | 33,336 |
| Medical, dental and language services | 5,877 | - | - | - | 5,877 |
| Miscellaneous | - | - | - | 3,140 | 3,140 |
| Advertising | - | - | - | 2,146 | 2,146 |
| Professional fees | - | - | - | 55,663 | 55,663 |
| Repairs and maintenance | 63,090 | 2,866 | - | 3,467 | 69,423 |
| Seminars and workshops | 37,544 | 1,545 | - | 13,344 | 52,433 |
| Supplies and materials | 23,689 | 1,907 | 13,298 | 23,003 | 61,897 |
| Telephone and utilities | 68,475 | 251 | - | 4,143 | 72,869 |
| Travel | 31,095 | 146 | - | - | 31,241 |
| Total expenses before depreciation | <u>1,613,138</u> | <u>26,018</u> | <u>203,613</u> | <u>279,677</u> | <u>2,122,446</u> |
| Depreciation expense | <u>135,922</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>135,922</u> |
| Total expenses | <u>\$ 1,749,060</u> | <u>\$ 26,018</u> | <u>\$ 203,613</u> | <u>\$ 279,677</u> | <u>\$ 2,258,368</u> |

The accompanying notes are an integral part of this statement.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Statement of Cash Flows
For the Year Ended December 31, 2017

| | |
|--|-------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ (20,569) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 135,922 |
| (Increase) decrease in operating assets: | |
| Grants receivable | (16,264) |
| Prepaid expenses | (2,534) |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | (10,569) |
| Accrued salaries and related benefits | <u>5,654</u> |
| Net cash provided by operating activities | 91,640 |
| Cash flows from financing activities: | |
| Payments on long term debt | (55,449) |
| Cash flows from investing activities: | |
| Net purchase of property and equipment | <u>(27,310)</u> |
| Net change in cash | 8,881 |
| Cash and cash equivalents, beginning | <u>41,701</u> |
| Cash and cash equivalents, ending | <u><u>\$ 50,582</u></u> |
| Supplemental data: | |
| Interest paid | <u><u>\$ 95,019</u></u> |

The accompanying notes are an integral part of this statement.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Avoyelles Child Developmental Services, Inc. (Organization) is a non-profit organization, which was organized in July 2012, and shall continue in existence for a period of 99 years from that date unless dissolved earlier. The Organization receives grants from federal and state governments to provide early childhood development programs for disadvantaged pre-school children in Avoyelles Parish.

B. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and is not classified by the Internal Revenue Service (IRS) as a private foundation. Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

C. Basis of Accounting

The accompanying financial statements of Avoyelles Child Development Services, Inc., have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

D. Fixed Assets and Depreciation

The Organization's capitalization policy is \$1,000 for property and equipment recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over useful lives of the assets. Depreciation is computed using the straight line method over the estimated useful lives of the assets in accordance with each program's grant guidelines. The range of estimated useful lives is as follows:

| | |
|----------------------------|-----------|
| Buildings and improvements | 40 years |
| Furniture and equipment | 5-7 years |
| Vehicles | 7 years |

E. Compensated Absences

Vacation and sick leave are recorded as an expense in the period in which paid. Annual leave is accumulated at a rate of 5 days per year. Employees terminated prior to the end of a fiscal year are paid for any unused annual leave. Annual leave must be used or forfeited in the year earned. For administrative staff, the year corresponds to the fiscal year. Teaching staff must use annual leave during the school year earned. Any unused leave at December 31, 2017 available to teaching staff which must be used by May 2018 was considered immaterial for accrual in these financial statements. Sick leave is accumulated at 12 days per year. Sick leave can be accumulated up to 240 hours; however, sick leave does not vest and is not paid upon termination.

F. Statement of Cash Flows

The Organization considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

G. 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.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

H. Functional Allocation of Expenses

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

I. Revenue Recognition

Program reimbursements and grants are recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

(2) Grants Receivable

Grants receivable at December 31, 2017 consisted of \$34,426 due from the Louisiana Department of Education for expenses incurred under the Food Services Program.

(3) Concentration of Credit Risk

The Organization maintains cash account balances at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization's cash balances were fully secured and therefore, not exposed to custodial credit risk.

(4) Property and Equipment

Property and equipment consisted of the following at December 31, 2017:

| | |
|----------------------------|---------------------|
| Land | \$ 129,650 |
| Buildings and improvements | 2,542,349 |
| Furniture and equipment | 79,645 |
| Vehicles | 308,706 |
| Accumulated depreciation | <u>(442,509)</u> |
| Fixed assets, net | <u>\$ 2,617,841</u> |

Property and equipment purchased with federal monies may revert back to the government or the sale of such property and equipment has to be approved and the proceeds from the sale are restricted. Depreciation expense charged to the operations of the Head Start Program amounted to \$135,922 for the year ended December 31, 2017.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

(5) Notes Payable

\$307,711 Mother Goose Loan

On July 23, 2014, the board authorized the incurrence of indebtedness in the principle amount of \$307,711. The loan is secured by land and a building known as Mother Goose Head Start Center located in Hessmer, Louisiana. On July 23, 2014 the Board of Directors entered into a security agreement with the Union Bank to borrow \$307,7011 at an interest rate of 7.50% per year maturing in September 2039. At December 31, 2017 the Organization had an outstanding balance of \$289,833.

\$115,221 New Beginnings Loan

On July 23, 2014, the board authorized the incurrence of indebtedness in the principle amount of \$115,221. The loan is secured by land and a building known as New Beginnings Head Start Center located in Mansura, Louisiana. On July 23, 2014 the Board of Directors entered into a security agreement with the Union Bank to borrow \$115,211 at an interest rate of 7.75% per year maturing in June 2027. At December 31, 2017 the Organization had an outstanding balance of \$94,234.

\$346,902 Mother Hubbard Loan

On July 23, 2014, the board authorized the incurrence of indebtedness in the principle amount of \$346,902. The loan is secured by land and a building known as Mother Hubbard Head Start Center located in Simmesport, Louisiana. On July 23, 2014 the Board of Directors entered into a security agreement with the Union Bank to borrow \$346,902 at an interest rate of 7.50% per year maturing in November 2038. At December 31, 2017 the Organization had an outstanding balance of \$325,405.

\$209,304 Humpty Dumpty Loan

On July 23, 2014, the board authorized the incurrence of indebtedness in the principle amount of \$209,304. The loan is secured by land and a building known as Humpty Dumpty Head Start Center located in Moreauville, Louisiana. On July 23, 2014 the Board of Directors entered into a security agreement with the Union Bank to borrow \$209,304 at an interest rate of 7.50% per year maturing in April 2041. At December 31, 2017 the Organization had an outstanding balance of \$198,556.

\$163,690 Jack & Jill Loan

On July 23, 2014, the board authorized the incurrence of indebtedness in the principle amount of \$163,690. The loan is secured by land and a building known as Jack & Jill Head Start Center located in Cottonport, Louisiana. On July 23, 2014 the Board of Directors entered into a security agreement with the Union Bank to borrow \$163,690 at an interest rate of 7.75% per year maturing in May 2026. At December 31, 2017 the Organization had an outstanding balance of \$129,777.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

\$81,078 Cinderella Loan

On October 29, 2014, the board authorized the incurrence of indebtedness in the principle amount of \$81,087. The loan is secured by land and a building known as Cinderella Head Start Center located in Marksville, Louisiana. On October 29, 2014 the Board of Directors entered into a security agreement with the Union Bank to borrow \$81,078 at an interest rate of 7.75% per year maturing in November 2022. At December 31, 2017 the Organization had an outstanding balance of \$54,146.

\$190,776 Brooks Loan

On October 29, 2014, the board authorized the incurrence of indebtedness in the principle amount of \$190,776. The loan is secured by land and a building known as Brooks Head Start Center located in Bunkie, Louisiana. On October 29, 2014 the Board of Directors entered into a security agreement with the Union Bank to borrow \$190,776 at an interest rate of 7.00% per year maturing in November 2025. At December 31, 2017 the Organization had an outstanding balance of \$148,471.

Scheduled maturities of long-term debt as of December 31, 2017 are as follows:

| Year ending December 31, | Principle payments | Interest payments | Total |
|-----------------------------|-----------------------|----------------------|---------------------|
| 2018 | \$ 59,499 | \$ 90,970 | \$ 150,469 |
| 2019 | 64,113 | 86,355 | 150,468 |
| 2020 | 69,088 | 81,381 | 150,469 |
| 2021 | 74,448 | 76,020 | 150,468 |
| 2022 | 76,848 | 70,266 | 147,114 |
| 2023 and thereafter | 896,426 | 558,853 | 1,455,279 |
| Total | <u>\$ 1,240,422</u> | <u>\$ 963,845</u> | <u>\$ 2,204,267</u> |

(6) Operating Leases

The Organization entered into various operating leases for copiers commencing in 2014 with lease terms of 60 months. Future minimum lease payments due under the lease terms are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|----------|
| 2018 | \$ 8,722 |
| 2019 | \$ 5,450 |

Lease expense amounted to \$8,722 for the year ended December 31, 2017.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

(7) Grant Revenue

The Organization's major source of revenue is grants from federal and state governmental entities. The use of these funds is restricted to the purpose set forth in the individual grant agreements. Such grant agreements are subject to review and audit by governmental agencies. Such audits could result in a request for reimbursement by the grantor for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Organization's management, such disallowances, if any, will not be significant.

(8) Contributed Services, Materials, and Facilities

The organization has recorded in-kind contributions of \$33,336 for professional services in the statement of activities in accordance with financial accounting standards. These accounting standards require that only contributions of services received that require a specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of these financial standards are different than the in-kind requirements of the Organization's grant awards. The organization received contribution of nonprofessional volunteers, during the year with a value of \$489,740 for its Head Start program which are not recorded in the statement of activities.

(9) Concentrations

The Organization receives a substantial amount of its support from the U.S. Department of Health and Human Services – Head Start Program. A significant reduction in the level of this support or suspension in funding may have a substantial impact on the continuing operations of the Organization.

(10) Retirement

Employees of Organization also have the option of participating in a defined contribution salary deferral plan. The plan is established in accordance with Section 403(B) of the Internal Revenue Code. Under the plan, the Organization contributes a discretionary matching contribution equal to a percentage of the amount of the salary reduction elected by the employee, up to 5% of compensation. The employee may elect a salary reduction up to the maximum annual allowable amount established by applicable Internal Revenue Code Sections. During the year ended December 31, 2017, the Organization's contribution to the plan totaled \$37,124.

(11) Compensation Paid to Members of the Board of Directors

Members of the Board of Directors of Avoyelles Child Development Services, Inc. receive no compensation and are reimbursed only for expenses incurred relating to Avoyelles Child Development Services, Inc.'s business, which must have appropriate supporting documentation.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

(12) Compensation, Benefits, and Other Payments to Agency Head

The schedule of compensation, benefits, and other payments to Evelyn Scallan, Director, for the year ended December 31, 2017 follows:

| <u>Purpose</u> | <u>Amount</u> |
|--------------------------|------------------|
| Salary | \$ 65,988 |
| Benefits - payroll taxes | 5,190 |
| Benefits - retirement | 3,299 |
| Reimbursements | 996 |
| Training | 938 |
| Travel | <u>2,484</u> |
| Total | <u>\$ 78,895</u> |

(13) Litigation and Claims

There was no pending litigation against the Organization at December 31, 2017.

(14) Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor's report, the date which the financial statements were available to be issued.

(15) Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial. Also, a liability for findings and questioned costs is not established until final disposition of such matters by the funding agency.

(16) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-9, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be more entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective for annual periods beginning after December 31, 2018 and is not expected to have a significant impact on the Organization's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is evaluating the potential impact of the amendment on the Organization's financial statements.

In August 2016, the FASB issued Accounting Standards update No. 2016-14, Not-for-Profit Entities (Topic 958) to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendment is effective for fiscal years beginning after December 15, 2018. The Organization is evaluating the potential impact of the amendment on the Organization's financial statements.

The FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which made the following changes that may affect the Organization: Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment or debt extinguishment costs should be classified as cash flows for financing activities. The amendments in this ASU will be effective for entities other than public business entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization does not expect the guidance to have a material impact on its financial statements.

SUPPLEMENTAL INFORMATION

INDIVIDUAL PROGRAMS/FUNDS

Head Start Program

To account for the receipt and expenditure of funds received from the U.S. Department of Health & Human Services which provides educational, psychological, nutritional, medical, dental and social services to needy pre-school children in the area.

Food Services Program

To account for receipt and expenditure of federal grant funds passed through the Louisiana Department of Education for meals for needy children at Head Start locations.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Combining Statement of Financial Position
December 31, 2017

| | Head Start Program | Food Services Program | Total |
|---------------------------------------|--------------------------|-----------------------------|-------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 49,683 | \$ 899 | \$ 50,582 |
| Grants receivable | - | 34,426 | 34,426 |
| Prepaid expenses | 45,492 | - | 45,492 |
| Total current assets | 95,175 | 35,325 | 130,500 |
| Property and equipment, net | 2,617,841 | - | 2,617,841 |
| Total assets | \$2,713,016 | \$ 35,325 | \$2,748,341 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities - | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 9,286 | \$ - | \$ 9,286 |
| Accrued salaries and related benefits | 30,242 | 899 | 31,141 |
| Notes payable | 59,499 | - | 59,499 |
| Total current liabilities | 99,027 | 899 | 99,926 |
| Long-term liabilities: | | | |
| Notes payable | 1,180,923 | - | 1,180,923 |
| Total liabilities | 1,279,950 | 899 | 1,280,849 |
| Net assets: | | | |
| Temporarily restricted | 1,433,066 | 34,426 | 1,467,492 |
| Total liabilities and net assets | \$2,713,016 | \$ 35,325 | \$2,748,341 |

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Schedule of Grant Revenue
Year Ended December 31, 2017

| | |
|-----------------------|---------------------|
| Food Services Program | \$ 188,859 |
| Head Start Program | <u>2,012,636</u> |
| | <u>\$ 2,201,495</u> |

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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*

Ms. Evelyn Scallan, Executive Director
and Members of the Board of Directors
Avoyelles Child Development Services, Inc.
Moreauville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Avoyelles Child Development Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Avoyelles Child Development 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 Avoyelles Child Development Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Avoyelles Child Development 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, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avoyelles Child Development 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*.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 25, 2018

KOLDER, SLAVEN & COMPANY, LLC

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

Ms. Evelyn Scallan, Executive Director,
and Members of the Board of Directors
Avoyelles Child Development Services, Inc.
Moreauville, Louisiana

Report on Compliance for the Each Major Federal Program

We have audited Avoyelles Child Development Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Avoyelles Child Development Services, Inc.'s major federal program for the year ended December 31, 2017. Avoyelles Child Development Services, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Avoyelles Child Development Services, Inc.'s major federal program 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 Avoyelles Child Development Services, Inc.'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 the major federal program. However, our audit does not provide a legal determination of Avoyelles Child Development Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Avoyelles Child Development 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 its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of Avoyelles Child Development 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 Avoyelles Child Development Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Avoyelles Child Development Services, Inc.'s internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the schedule of findings and questioned costs as item 2007-001 to be a material weakness.

Avoyelles Child Development Services, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Avoyelles Child Development Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 25, 2018

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

| Federal Grantor/Pass Through Grantor/Program Title | Federal CFDA Number | <u>Expenditures</u> |
|---|---------------------------|---------------------|
| U.S. Department of Agriculture: Passed through Louisiana Dept. of Education - Child and Adult Care Food Program | 10.558 | \$ 203,613 |
| U.S. Department of Health and Human Services: Head Start Program * | 93.600 | <u>1,970,790</u> |
| Total federal expenditures | | <u>\$2,174,403</u> |

* Indicates Major Program

AVOYELLES CHILD DEVELOPMENT SERVICES, INC.
Moreauville, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Avoyelles Child Development Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Relationship to Federal Financial Reports

A reconciliation of total expenditures of federal awards reported in the Schedule of Expenditures of Federal Awards to total expenses reported in the Statement of Functional Expenses follows:

| | |
|---|---------------------|
| Total expenses reported in the Statement of Functional Expenses | \$ 2,258,368 |
| Add: Principle payments on notes | 55,449 |
| Purchase of assets | 27,310 |
| Change in prepaid insurance | 2,534 |
| Less: In-kind contributions | (33,336) |
| Depreciation | <u>(135,922)</u> |
| Total federal expenditures reported in the Schedule of Expenditures of Federal Awards | <u>\$ 2,174,403</u> |

(3) Indirect Cost Rate

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC.
Moreauville, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Part I. Summary of Auditor's Results:

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No deficiencies in internal control were disclosed by the audit of the financial statements.
3. No instances of noncompliance material to the financial statements which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. One deficiency in internal control over the major program was disclosed during the audit.
5. The auditor's report on compliance for the major federal award program expressed an unmodified opinion.
6. The audit disclosed no audit findings that are required to be reported in accordance with Uniform Guidance.
7. The major program was the U.S. Department of Health and Human Services - Headstart Program, CFDA No. 93.600.
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. The Avoyelles Child Development Services, Inc. did qualify as a low-risk auditee.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Internal Control Findings –

There were no compliance findings required to be reported under the above guidance.

B. Compliance Findings –

There were no compliance findings required to be reported under the above guidance.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in 2 CFR section 200 of the Uniform Guidance:

A. Internal Control Findings –

See internal control finding 2017-001 on the schedule of current and prior year audit findings and management's corrective action plan.

B. Compliance Findings –

There were no compliance findings required to be reported under the above guidance.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC.
Moreauville, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2017

Part I. Current Year Findings and Management's Corrective Action Plan:

A. Internal Control Over Compliance

2017-001 Eligibility

Year Finding Initially Occurred: 2017

Head Start CFDA 93.600, U.S. Department of Health and Human Services

CONTEXT: In February 2018, representatives from Head Start's Regional office in Dallas, Texas conducted an unannounced monitoring of the Organization's 2017 eligibility determinations. Additionally, four of forty eligibility determinations tested during the audit contained modifications to the eligibility information. Documentation supporting these modifications was not maintained with the eligibility files, but was provided upon request.

CONDITION: The Organization did not verify and document eligibility or create and keep eligibility determination records for 6 enrolled participants.

CRITERIA: §1202, *Program Operations*, of the Head Start Handbook.

CAUSE: The Organization failed to implement adequate internal controls over eligibility.

EFFECT: Inadequate internal controls over eligibility could result in the Organization not meeting enrollment requirements which would put the Organization's funding at risk.

QUESTIONED COSTS: None

RECOMMENDATION: The Organization should implement and enforce adequate internal controls that require supervisor review of all eligibility determinations. Additionally, controls should be established to require contemporaneous documentation of all changes or modifications to eligibility determinations.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Organization has hired a consultant to assist with adopting adequate internal controls over eligibility. Additionally, the Organization has hired Family Services Supervisor who's responsibilities will include reviewing all eligibility determinations made by the Family Service coordinators and ensure internal controls are effective and adhered to.

B. Compliance

There are no compliance findings to be reported.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC.
Moreauville, Louisiana

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2017

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

There were no internal control findings reported.

B. Compliance

There were no compliance findings reported.

Avoyelles Child Development Services, Inc.
P.O. Box 153
Moreauville, LA 71355
(318) 985-2154

Avoyelles Child Development Services, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2017.

Audit conducted by:

Kolder, Slaven & Company, LLC
1428 Metro Dr.
Alexandria, LA 71301

Audit Period: Fiscal year ended December 31, 2017

The finding from the December 31, 2017 schedule of findings and questioned costs are discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDING – Uniform Guidance

Material Weakness

2017-001

RECOMMENDATION: The Organization should implement and enforce adequate internal controls that require supervisor review of all eligibility determinations. Additionally, controls should be established to require contemporaneous documentation of all changes or modifications to eligibility determinations.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Organization has hired a consultant to assist with adopting adequate internal controls over eligibility. Additionally, the Organization has hired Family Services Supervisor who's responsibilities will include reviewing all eligibility determinations made by the Family Service coordinators and ensure internal controls are effective and adhered to.

If there are questions regarding the plan, please call Evelyn Scallan, Executive Director, at 318-985-2154.

Sincerely,

Evelyn Scallan
Executive Director

**AVOUELLES CHILD
DEVELOPMENT SERVICES, INC.**
Moreauville, Louisiana

Agreed-Upon Procedures Report

Period Ended December 31, 2017

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ms. Evelyn Scallan, Executive Director, and
And Members of the Board of Directors
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Avoyelles Child Development Services, Inc. (Entity) 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 January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained the entity's written policies and procedures and reported whether those written policies and procedures address each of the following financial/business functions (or reported that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts**, including receiving, recording, and preparing deposits.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board (or Finance Committee, if applicable)

- 2. We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Reported whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Reported whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, reported whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, reported whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Reported whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Bank Reconciliations

3. We obtained a listing of the entity's bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, we selected all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and reported whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Collections

5. We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, we selected all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and reported whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and reported whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) We selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and reported whether the deposits were made within one day of collection. If deposits were not made within one day of collection, reported the number of days from receipt to deposit for each day at each collection location.

- Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections are completely supported by documentation and report any exceptions.
7. We obtained existing written documentation (e.g. policy manual, written procedure) and reported whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

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

8. We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We obtained management’s representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, we randomly selected 25 disbursements (or randomly selected disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and reported whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the person responsible for processing payments is prohibited from adding vendors to the entity’s purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we reported whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. We inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and reported any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and reported whether the persons with signatory authority have system access to print checks.

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

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

14. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
15. Using the listing prepared by management, we randomly selected 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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

- a) We reported whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
- b) We reported whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, we obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, we reported whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and reported any exceptions.
- c) For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

Travel and Expense Reimbursement

17. We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing or general ledger is complete.
18. We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and reported any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) We compared expense documentation to written policies and reported whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, we compared to the GSA rates (#18 above) and reported each reimbursement that exceeded those rates.
 - b) We reported whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
 - c) We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse).
 - d) We reported whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

20. We obtained a listing of all contracts in effect during the fiscal period or, alternately, we obtained the general ledger and sorted/filtered for contract payments. We obtained management's representation that the listing or general ledger is complete.

21. Using the listing above, we selected the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:
- a) We reported whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) We compared each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, we obtained/compared supporting contract documentation to legal requirements and reported whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, we obtained supporting contract documentation and reported whether the entity solicited quotes as a best practice.
 - c) We reported whether the contract was amended. If so, we reported the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and reported whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) We obtained/reviewed contract documentation and board minutes and reported whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Payroll and Personnel

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management’s representation that the listing is complete. Randomly select five employees/officials, obtained their personnel files, and:
- a) Reviewed compensation paid to each employee during the fiscal period and reported whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and reported whether those changes were approved in writing and in accordance with written policy.
23. We obtained attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected 25 employees/officials (or randomly selected one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
- a) Reported whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

- b) Reported whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Reported whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, we selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We reported whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We reported whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management and reported whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. We reported whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, we obtained supporting documentation from the entity, and reported whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, we obtained supporting documentation from the entity and reported whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, we obtained supporting documentation and reported whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, we reported any millages that continue to be received for debt that has been paid off.

Other

31. We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and reported whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. We observed and reported whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If we observed or otherwise identified any exceptions regarding management's representations in the procedures above, we reported the nature of each exception.

Findings:

No exceptions were found as a result of applying the procedures listed above except:

Written Policies:

Exception

Avoyelles Child Development Services, Inc. did not have written policies and procedures as specified by the Legislative Auditor that address debt service.

Management's Response

Avoyelles Child Development Services, Inc. is prohibited from borrowing money without receiving prior approval from the Headstart regional office. Avoyelles Child Development Services, Inc. will adopt a written policy incorporating the Headstart requirements and the policies and procedures specified by the Legislative Auditor.

Disbursements:

Exception

For 3 of 25 disbursements tested, Avoyelles Child Development Services, Inc. did not initiate the purchase using a purchase order system therefore we were unable to test if the purchase was approved by a person who did not initiate the purchase or if the payment was processed after the purchase order was approved.

Management's Response

Management of the Avoyelles Child Development Services, Inc. concurs with the exceptions and is working to address the deficiencies identified.

Payroll and Personnel:

Exception

For 1 of the 12 monthly retirement contributions tested, the payment was not submitted to the applicable agency by the required deadline.

Management's Response

The Avoyelles Child Development Services, Inc.'s retirement provider's electronic remittance system was being setup and the provider requested we not submit them by check since the electronic system would be ready by the due date. The provider system was not setup in time, resulting in the late submission.

Exception

For one of the 4 L1 reports tested, the required report was not submitted to the applicable agency by the required deadline.

Management's Response

All payments were made timely by due dates (L1 deposits are due monthly). The L1 summary report was filed May 25, 2017 for the March 31, 2017 quarter; however, a request was made of LDR for a penalty abatement and it was granted due to the stellar filing history of the taxpayer.

Other:

Exception

Avoyelles Child Development Services, Inc. did not post on its website the notice required by R.S. 24:523.1.

Management's Response

Avoyelles Child Development Services, Inc. is working with their website host on various updates to the webpages. The appropriate notices will be added to the website during this update.

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 results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 25, 2018