

**@SOUTHWEST LOUISIANA
INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana**

**Audit of Financial Statements
September 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 – 14
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 <i>Government Auditing Standards</i>	15 - 16
Schedule of Findings and Responses	17
Schedule of Prior Year Audit Findings	18
Schedule of Compensation, Benefits and Other Payments to the Executive Director	19

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300

P. O. BOX 4265

LAKE CHARLES, LA 70606

(337) 513-4915 OFFICE/ (337) 205-6927 FAX

steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of @Southwest Louisiana Independence Center, Inc., (a non-profit organization) which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, cash flows, and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana
Page 2

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of @Southwest Louisiana Independence Center, Inc. as of September 30, 2019, 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

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Benefits and Other Payments to the Executive Director 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 is derived from the underlying accounting and other records 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 my 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*, I have also issued my report dated February 5, 2020, on my consideration of @Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering @Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
February 5, 2020

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Financial Position
As of September 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,130,206
Certificate of deposit investment		498,556
Grants receivable		729,197
Prepaid expenses		81,046
		81,046
Total Current Assets		2,439,005

PROPERTY AND EQUIPMENT

Furniture and equipment		574,027
Building and improvements		730,340
		1,304,367
Less accumulated depreciation		(495,977)
		808,390
Land		150,000
		150,000
Net Property and Equipment		958,390

OTHER ASSETS

Deposits		5,033
		5,033

TOTAL ASSETS

\$ 3,402,428

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	168,457
Accrued payroll and related expenses		220,405
Other accrued expenses		3,963
Current portion of notes payable		12,726
		12,726
Total Current Liabilities		405,551

LONG TERM LIABILITIES

Notes payable - net of current portion		253,150
		253,150

TOTAL LIABILITIES

658,701

NET ASSETS

Without donor restrictions		2,743,727
		2,743,727
Total Net Assets		2,743,727

TOTAL LIABILITIES AND NET ASSETS

\$ 3,402,428

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Activities
For The Year Ended September 30, 2019

SUPPORT

Medicaid waiver program	\$	4,775,157
Federal grants		401,865
State grants		265,154
Private pay and veterans affairs		128,573
Special events and other		14,311
		14,311
Total Support		5,585,060

EXPENSES

Program expenses		5,198,156
Supporting services:		
Management and general		140,678
		140,678
Total Expenses		5,338,834

CHANGE IN NET ASSETS 246,226

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR 2,497,501

UNRESTRICTED NET ASSETS - END OF YEAR \$ 2,743,727

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Cash Flows
For The Year Ended September 30, 2019

Cash Flows From Operating Activities	
Change in net assets	\$ 246,226
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	60,787
Loss on disposal of equipment	3,090
(Increase) decrease in operating assets:	
Grants receivable	(63,999)
Prepaid expenses	(67,357)
Increase (decrease) in operating liabilities:	
Accounts payable	88,662
Accrued payroll and related expenses	6,502
Other accrued expenses	(2,365)
	<hr/>
Total Adjustments	25,320
	<hr/>
Net Cash Provided (Used) By Operating Activities	271,546
	<hr/>
Cash Flows From Investing Activities	
Purchase of certificates of deposit	(498,556)
Purchase of property and equipment	(137,640)
Proceeds from insurance	13,989
	<hr/>
Net Cash Used By Investing Activities	(622,207)
	<hr/>
Cash Flows From Financing Activities	
Principal payments on bank loans	(12,003)
	<hr/>
Net Cash Provided (Used) by Financing Activities	(12,003)
	<hr/>
Net Increase (Decrease) In Cash	(362,664)
Cash - Beginning of Year	1,492,870
	<hr/>
Cash - End of Year	\$ 1,130,206
	<hr/> <hr/>
Supplemental Disclosure:	
Interest paid	\$ 12,402
	<hr/> <hr/>

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Functional Expenses
For The Year Ended September 30, 2019

	<u>Program Services</u>	<u>Supporting Services, Management & General</u>	<u>Total</u>
Advertising	\$ 27,678	\$ -	\$ 27,678
Audit expense	16,043	-	16,043
Bank service charges	4,634	-	4,634
Depreciation	-	60,787	60,787
Education and training	8,163	-	8,163
Insurance	250,864	-	250,864
Legal fees	247	-	247
Payroll taxes/fringe expense	415,796	-	415,796
Postage	7,019	-	7,019
Purchased services	129,852	-	129,852
Interpreting services	19,342	-	19,342
Rent	49,000	-	49,000
Repairs and maintenance	30,113	-	30,113
Salaries	4,057,325	-	4,057,325
Supplies	63,971	-	63,971
Telephone	26,178	-	26,178
Travel	38,577	-	38,577
Utilities	25,798	-	25,798
Consumer expenses	5,293	-	5,293
Office expenses	15,925	47,774	63,699
Interest	-	12,402	12,402
Miscellaneous	6,338	19,715	26,053
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 5,198,156</u>	<u>\$ 140,678</u>	<u>\$ 5,338,834</u>

See accompanying notes to the financial statements.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

@Southwest Louisiana Independence Center, Inc. was organized under Section 501 (c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing support services to the physically disabled and their families. A significant portion of the Center's revenues are Medicaid payments received for providing patient care services to Medicaid eligible individuals. The Center also receives grants from the U.S. Department of Education and the State of Louisiana Department of Social Services. The Center is not classified as a private foundation by the Internal Revenue Service.

Income Taxes

The Center is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and applicable state codes. Accordingly, no provision for federal and state income taxes is included in the financial statements. @Southwest Louisiana Independence Center, Inc.'s Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three (3) years after it was filed.

Method of Accounting

The accompanying financial statements of @Southwest Louisiana Independence Center, Inc. have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles. Net assets and revenues, expense, gains and losses are classified based on the existence or absence of grantor/contributor imposed or time restrictions.

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its Accounting Standard Codification (ASC) Topic, *Financial Statements of Not-for-Profit Organizations*. In accordance with this guidance, the Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets available subject to donor-imposed or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Method of Accounting (Continued)

The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions

Cash and Cash Equivalents

The Center had bank deposits of \$1,128,722 at September 30, 2019 with a carrying value of \$1,130,206, which includes \$300 in petty cash.

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Center maintains bank accounts at various banks, where account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Center maintains deposit balances that exceed federally insured limits. The Center deposits its cash with high quality financial institutions, and management believes the Center is not exposed to significant credit risk on those amounts.

Use of 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.

Property and Equipment/Depreciation and Amortization

Property and equipment are recorded at their historical cost. Donated assets are recorded at their estimated fair value on the date of the donation. Capital assets are defined as those acquired with an initial individual cost of more than \$500. Repairs and maintenance are charged to operations when incurred.

Furniture and equipment are being depreciated over estimated useful lives of three to fifteen years. The building is being depreciated over an estimated useful life of thirty-five years. The straight-line method of depreciation is being utilized. Depreciation expense was \$60,787 for the year ended September 30, 2019.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Center has a contingent liability in the amount of \$24,880 at September 30, 2019 for unused vacation. Sick leave is not vested, therefore no accrual is reflected in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$27,678 for the year ended September 30, 2019.

Performance Indicator

The Center utilizes revenues over expenses as its performance indicator.

Grants and Contributions

Grants and contributions are recognized as income when received. The Board reports grants as temporarily restricted support if they are received with stipulations that limit the use of the funds. When grantor restrictions expire, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other support is recognized when earned. Grants and contributions that are restricted by the grantor or donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal year in which the grants and contributions are recognized.

Functional Expenses

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. The methods of allocation were based on the Center's estimates of the relative proportion of each expense utilized for program or support service functions.

Investments

The Center reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2019

NOTE 2 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30, 2019:

Property and Equipment, October 1, 2018	\$ 1,345,075
Additions for the Year Ended September 30, 2019	137,640
Disposals for the Year Ended September 30, 2019	<u>(28,348)</u>
Property and Equipment, September 30, 2019	<u>\$ 1,454,367</u>
Accumulated Depreciation, October 1, 2018	\$ 446,459
Depreciation for the Year Ended September 30, 2019	60,787
Less Depreciation on Disposed Assets for the Year Ended September 30, 2019	<u>(11,269)</u>
Accumulated Depreciation, September 30, 2019	<u>\$ 495,977</u>
Net Book Value, September 30, 2019	<u>\$ 958,390</u>

NOTE 3 - 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. Management is not aware of any disallowed costs as of September 30, 2019.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable at September 30, 2019 consisted of reimbursements for expenses incurred in the following programs:

<u>Program</u>	<u>Amount</u>
Telecommunications Device Distribution	\$ 12,180
State Personal Care Attendant Contract	1,644
State Independent Living Contract	36,756
Elderly Disabled Adults	421,915
SLIC Interpreting	11,309
Children's Choice	15,176
Long Term Personal Care Services	106,872
Supportive Employment	17,409
LCD Interpreting	990
Supportive Services Provider	12,350
Private Pay	789
Other	12,719
Veterans Affairs	79,088
Total Receivable	<u>\$ 729,197</u>

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2019

NOTE 5 - OPERATING LEASES

The Center currently leases office space for the Lafayette and Leesville offices. The lease agreement for the Lafayette site is for a 36-month period beginning June 30, 2019 with a monthly fee of \$3,000 ending on June 30, 2022. The lease agreement for the Leesville site is for a 60-month period beginning August 1, 2019 through July 31, 2024 with a monthly fee of \$1,500. Total rent expense reflected in these financial statements for the year ended September 30, 2019 is \$49,000.

The following is a schedule of future minimum rental payments due under the non-cancelable lease agreements for the years ending September 30:

2020	\$ 54,000
2021	\$ 54,000
2022	\$ 45,000
2023	\$ 18,000
2024	\$ 15,000

NOTE 6 - RISK MANAGEMENT

The Center has purchased commercial insurance for its general liability and worker's compensation insurance. They have not retained any risk with relation to these activities.

NOTE 7 - ECONOMIC DEPENDENCY

The Center receives the majority of its revenue from funds provided by state and federal grants as well as through a contract for patient care services provided to Medicaid eligible individuals. If significant budget cuts are made at the federal and/or state level or the Medicaid contract is not renewed, the amount of funds the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

NOTE 8 - RETIREMENT PLAN

The Center participates in a SIMPLE IRA retirement plan for the benefit of its employees. The plan allows employees who anticipate earning more than \$5,000 in the current year to participate and allows them to contribute a percentage of their pay or a flat dollar amount up to a maximum annual contribution of \$12,500. The plan requires employer-matching contributions on a dollar-for-dollar basis up to 3% of each employee's compensation. The employer may elect, upon advance notice to the employees, to make a maximum match of less than 3% but not less than 1% of employee's compensation; however, this election can only be made during two out of any consecutive five-year periods. Employer matching contributions for the fiscal year ended September 30, 2019 was \$13,397.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2019

NOTE 9 - LINE OF CREDIT

The Center has a line of credit with an available limit of \$50,000. Interest accrues and is payable monthly at 5.45% on any outstanding balance. The line is secured by the Center's deposits held by the lender. The balance due on this line of credit was \$-0- as of September 30, 2019.

NOTE 10 - INVESTMENTS

The Center applies GAAP for fair value measurements of financial assets that are recognized at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair market hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

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

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available).

As of September 30, 2019, the Center's investments measured on a recurring basis consisted of certificate of deposit investments with fair market value (Level 2) and cost bases as follows:

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Certificate of deposit investments (Level 2 Observable Inputs)	\$ 498,556	\$ 498,556	\$ -0-

NOTE 11 - FAIR VALUE OF INSTRUMENTS

The Center has a number of financial instruments, none of which is held for trading purposes. The Center estimates that the fair value of all financial instruments at September 30, 2019 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Center using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the agency could realize in a current market exchange. The recorded values of cash and cash equivalents, grants receivable, prepaid expenses, accounts payable, and accrued expenses approximate their fair values based on their short-term nature. The recorded values of notes payable approximate their fair value, as interest is insignificant.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2019

NOTE 12 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Center has \$2,357,959 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$1,130,206, certificate of deposit investments of \$498,556, and grants receivable of \$729,197. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Center has a goal to maintain financial assets which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$880,000. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Center deposits cash in excess of daily requirements in certificate of deposit investments.

NOTE 13 - NOTES PAYABLE

Notes payable as of September 30, 2019 consisted of the following:

Bank note dated November 6, 2014, payable in 120 equal monthly installments of \$2,033.71, the final payment to be paid November 5, 2024, including interest at 4.49%, collateralized by real estate with a carrying value of \$827,958.	<u>\$ 265,876</u>
Total debt	265,876
Less current portion	<u>12,726</u>
Long-term debt	<u><u>\$ 253,150</u></u>

Maturities of debt are as follows:

September 30:	Amount
2020	\$ 12,726
2021	13,310
2022	13,920
2023	14,558
2024	15,225
Thereafter	<u>196,137</u>
Total	<u><u>\$ 265,876</u></u>

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2019

NOTE 14 -SUBSEQUENT EVENT

The Center evaluated its September 30, 2019 financial statements for subsequent events through the date the financial statements were available to be issued. The Center is not aware of any subsequent events which require recognition or disclosure in the financial statements.

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300

P. O. BOX 4265

LAKE CHARLES, LA 70606

(337) 513-4915 OFFICE/ (337) 205-6927 FAX

steve@sderouenepa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

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

The Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

I 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 @Southwest Louisiana Independence Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, 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 my report thereon dated February 5, 2020.

Internal Control over Financial Reporting

In planning and performing my audit, I considered @Southwest Louisiana Independence Center, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of @Southwest Louisiana Independence Center, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of @Southwest Louisiana Independence Center, 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.

My 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.

The Board of Directors
@Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether @Southwest Louisiana Independence Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my test 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 my 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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
February 5, 2020

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Schedule of Findings and Responses
September 30, 2019

Section I – Summary of Auditor’s Report

Financial Statements

Type of auditor’s report issued			Unmodified
Internal control over financial reporting:			
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Significant deficiency identified not considered to be a material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

Section II – Financial Statement Findings

There were no current year financial statement findings.

Section III – Compliance Findings

There were no current year compliance findings.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Schedule of Prior Year Audit Findings
September 30, 2019

Prior Year Findings

2018 - 001 Late Filing of Audit Report

Condition: The audit report was due to the Legislative Auditor's office by March 31, 2019. The report was filed on April 12, 2019. The late filing was an oversight by management and the CPA firm.

Response: Management will monitor this situation and communicate with the auditor on a more timely basis.

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

**Schedule of Compensation, Benefits and Other
Payments to the Executive Director**

Year Ended September 30, 2019

NO COMPENSATION PAID FROM PUBLIC FUNDS

Agency Head: Mitch Granger, Executive Director

Purpose	Amount
Salary	\$ 0.00
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits-Other	0.00
Car allowance	0.00
Vehicle provided by Center	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

2720 RUE DE JARDIN, STE. 300
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of
Certified Public Accountants

Member Louisiana Society of
Certified Public Accountants

AGREED-UPON PROCEDURES REPORT

@SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD OF OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019

To the Board of Directors and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by @Southwest Louisiana Independence Center, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The Entity's management is responsible for those C/C areas 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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised 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.
 - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

- k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Observations: The Center does not have a specific policy for contracting but does have a compensating policy regarding purchases. The Center also does not have a written disaster recovery/business continuity policy.

Management's Response: The Center will prepare and implement written policies and procedures to address both items listed as "observations".

Board or Finance Committee

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:
- a) 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, bylaws, or other equivalent document.
 - b) 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. *Alternately, 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.*
 - c) 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.

There were no observations noted in the prior year's "Board or Finance Committee" testing, therefore the above procedures are not applicable.

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 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Observation: While there is evidence of management review of bank statements, there is no evidence of management review of bank reconciliations.

Management's Response: While management currently reviews bank reconciliations, management will begin providing evidence of this review via management initials.

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 or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

These procedures are not applicable to the grants received by the Non-Profit Organization.

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).
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:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) 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.
 - d) 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.
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 for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

There were no observations noted resulting from the application of these 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.
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:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by

(1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no observations noted in the prior year's "Credit Cards/Debit Cards/Fuel Cards/P-Cards" testing, therefore the above procedures are not applicable.

Travel and Travel-Related Expense Reimbursements

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:

- a) 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).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) 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).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no observations noted in the prior year's "Travel and Travel-Related Expense Reimbursements" testing, therefore the above procedures are not applicable.

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. *Alternately, 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:
- a) 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.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) 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.

There were no observations noted in the prior year's "Contracts" testing, therefore the above procedures are not applicable.

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 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

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 employees/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/officials' personnel files.
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.

There were no observations noted in the prior year's "Payroll and Personnel" testing, therefore the above procedures are not applicable.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. 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.

These procedures are not applicable to the grants received by the Non-Profit Organization.

Debt Service

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.
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.

These procedures are not applicable to the grants received by the Non-Profit Organization.

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.
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.

There were no observations noted in the prior year's "Payroll and Personnel" testing, therefore the above procedures are not applicable.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.

Steven M. DeRouen & Associates

February 5, 2020
Lake Charles, Louisiana