

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

Financial Report
Year Ended December 31, 2018

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KOLDER, SLAVEN & COMPANY, LLC

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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avoyelles Child Development Services, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, Avoyelles Child Development Services, Inc. implemented the provisions of the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 18, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 18, 2019

FINANCIAL STATEMENTS

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Statement of Financial Position
December 31, 2018

ASSETS

Current assets:	
Cash	\$ 33,901
Grants receivable	21,240
Prepaid expenses	<u>46,229</u>
Total current assets	101,370
Property and equipment, net	<u>2,477,730</u>
Total assets	<u><u>\$ 2,579,100</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 11,500
Accrued salaries and related benefits	27,296
Notes payable	<u>65,704</u>
Total current liabilities	104,500
Long-term liabilities:	
Notes payable	<u>1,095,720</u>
Total liabilities	1,200,220
Net assets:	
Without donor restrictions	<u>1,378,880</u>
Total liabilities and net assets	<u><u>\$ 2,579,100</u></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, 2018

Changes in net assets without donor restrictions	
Support:	
Government grants	\$ 2,229,448
Contributed services	43,060
Loss on disposal of equipment	(4,750)
Miscellaneous income	<u>16,725</u>
Total support without donor restrictions	<u>2,284,483</u>
Expenses:	
Program services -	
Head Start	1,788,346
Early Head Start	63,727
Food Services	<u>211,603</u>
Total program services	2,063,676
Support services -	
Management and General	<u>309,419</u>
Total expenses	<u>2,373,095</u>
Change in net assets without donor restrictions	(88,612)
Net assets, beginning of year	<u>1,467,492</u>
Net assets, end of year	<u><u>\$ 1,378,880</u></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, 2018

	Program Services			Management and General	Total
	Head Start Program	Early Head Start Program	Food Services Program		
Salaries	\$ 1,059,917	\$ 51,754	\$ 92,336	\$ 147,449	\$ 1,351,456
Payroll taxes	88,022	7,918	8,806	16,384	121,130
Retirement	25,773	477	2,507	9,960	38,717
Total salaries and related expenses	<u>1,173,712</u>	<u>60,149</u>	<u>103,649</u>	<u>173,793</u>	<u>1,511,303</u>
Dues	-	-	-	2,299	2,299
Transportation cost	24,391	-	-	-	24,391
Food and nutrition	-	-	93,300	-	93,300
Insurance	73,128	-	-	4,438	77,566
Interest expense	90,118	-	-	-	90,118
Contributed services and facility costs	43,060	-	-	-	43,060
Medical, dental and language services	755	-	-	-	755
Miscellaneous	2,990	-	-	3,327	6,317
Advertising	-	-	-	1,579	1,579
Professional fees	-	-	-	65,402	65,402
Repairs and maintenance	85,779	-	-	4,399	90,178
Seminars and workshops	26,430	75	-	21,920	48,425
Supplies and materials	19,989	3,273	14,654	27,847	65,763
Telephone and utilities	79,585	216	-	4,415	84,216
Travel	33,048	14	-	-	33,062
Total expenses before depreciation	<u>1,652,985</u>	<u>63,727</u>	<u>211,603</u>	<u>309,419</u>	<u>2,237,734</u>
Depreciation expense	<u>135,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,361</u>
Total expenses	<u>\$ 1,788,346</u>	<u>\$ 63,727</u>	<u>\$ 211,603</u>	<u>\$ 309,419</u>	<u>\$ 2,373,095</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, 2018

Cash flows from operating activities:	
Decrease in net assets without donor restrictions	\$ (88,612)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	135,361
Loss on disposal of property and equipment	4,750
(Increase) decrease in operating assets:	
Grants receivable	13,186
Prepaid expenses	(737)
Increase (decrease) in operating liabilities:	
Accounts payable	2,214
Accrued salaries and related benefits	<u>(3,845)</u>
Net cash provided by operating activities	<u>62,317</u>
Cash flows from financing activities:	
Payments on long term debt	<u>(78,998)</u>
Net change in cash	(16,681)
Cash and cash equivalents, beginning	<u>50,582</u>
Cash and cash equivalents, ending	<u><u>\$ 33,901</u></u>
Supplemental data:	
Interest paid	<u><u>\$ 90,118</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. Financial Statement Presentation

Avoyelles Child Development Services, Inc. reports information regarding its financial position and activities according to two classes of net assets: Net Assets without Donor Restrictions and Net Assets with Donor Restrictions.

The financial statements of Avoyelles Child Development Services, Inc., have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

C. Fixed Assets and Depreciation

The Organization's capitalization policy is \$1,000 for property and equipment is 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. 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

D. Net Assets

The net assets of the Organization and changes wherein are classified and reported as follows:

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some restrictions may be temporary in nature and satisfied by actions of the Organizations board or management or by the passage of time.

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed or grantor-imposed restrictions which may be used for any purpose of the Board or management in performing the primary objectives of the Organization.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

These net assets may be used at the discretion of the Organization's Board or management.

E. Revenue Recognition

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

F. 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 based on specific identification.

G. 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, 2018, 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.

H. Compensated Absences

Vacation, annual and sick leave are recorded as an expense in the period in which paid. Vacation leave is granted only to employees in twelve-month positions. Vacation leave is accumulated from 5 or 10 days annually, based on years of service. The maximum amount of vacation leave that can be carried forward from one year to the next, is equivalent to the leave earned during that year. Upon termination, an employee will be paid for unused vacation leave. Annual leave is available to all other employees. It is accrued at 4 hours per month. Annual leave must be used or forfeited in the year earned. Employees terminated prior to the end of a fiscal year are paid for any unused annual leave. The amount of vacation and unused annual leave at year end was considered immaterial for accrual in the financial statements. Employees accumulate 12 days of sick leave per year with a maximum accumulation of 240 hours; however, sick leave does not vest and is not paid upon termination.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

I. 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.

J. 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.

(2) Grants Receivable

Grants receivable at December 31, 2018 consisted of \$21,240 due from the Louisiana Department of Education for expenses incurred under the Food Services Program and the Child Care Development Fund.

(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, 2018, 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, 2018:

Land	\$ 129,650
Buildings and improvements	2,527,349
Furniture and equipment	79,645
Vehicles	308,706
Accumulated depreciation	<u>(567,620)</u>
Property and equipment, net	<u>\$ 2,477,730</u>

Property and equipment purchased with federal monies may revert back to the government. If sale of such property and equipment is deemed necessary, it has to first be approved and the proceeds from the sale are restricted. Depreciation expense charged to the operations of the Head Start Program amounted to \$135,361 for the year ended December 31, 2018.

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, 2018 the Organization had an outstanding balance of \$284,235.

\$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, 2018 the Organization had an outstanding balance of \$87,177.

\$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, 2018 the Organization had an outstanding balance of \$318,631.

\$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, 2018 the Organization had an outstanding balance of \$195,234.

\$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, 2018 the Organization had an outstanding balance of \$118,235.

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, 2018 the Organization had an outstanding balance of \$24,422.

\$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, 2018 the Organization had an outstanding balance of \$133,490.

Scheduled maturities of long-term debt as of December 31, 2018 are as follows:

Year ending December 31,	Principle payments	Interest payments	Total
2019	\$ 65,704	\$ 84,764	\$ 150,468
2020	70,013	79,662	149,675
2021	62,093	74,723	136,816
2022	66,878	69,939	136,817
2023	72,032	64,785	136,817
2024 and thereafter	824,704	494,067	1,318,771
Total	<u>\$ 1,161,424</u>	<u>\$ 867,940</u>	<u>\$ 2,029,364</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> 2019	<u>\$ 5,450</u>
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Lease expense amounted to \$8,722 for the year ended December 31, 2018.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

(7) Contributed Services

The organization has recorded in-kind contributions of \$43,060 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 \$461,307 for its Head Start program which are not recorded in the statement of activities.

(8) 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.

(9) Retirement

Employees of the 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, 2018, the Organization's contributions to the plan totaled \$34,996.

(10) Liquidity and Availability of Resources

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 33,901
Grants Receivable	21,240
Prepaid Expense	<u>46,229</u>
Total current assets	<u>\$ 101,370</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

(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.

(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, 2018 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 67,860
Benefits - payroll taxes	5,191
Benefits - retirement	3,393
Reimbursements	57
Training	1,853
Travel	3,026
Total	<u>\$ 81,380</u>

(13) Litigation and Claims

There was no pending litigation against the Organization at December 31, 2018.

(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

The Organization's major source of revenue is grants received 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 which 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.

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.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

The Avoyelles Child and Development Services, Inc is up for recertification as the Parish Headstart during the year ending December 31, 2019. Funding for the current grant has been extended until November 30, 2019. Management of the Avoyelles Child and Development Services, Inc feels that they will be approved for further funding.

(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 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.

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.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Notes to Financial Statements

(17) Change in Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the beginning net assets presented. The new standards change the following aspects of the Organization’s financial statements: the temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions; the unrestricted net asset class has been renamed net assets without donor restrictions; and the financial statements include a new disclosure about liquidity and availability of resources (Note 10).

The changes have the following effect on net assets at January 1, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,467,492	\$ -
Net assets without donor restrictions	<u>-</u>	<u>1,467,492</u>
Total	<u>\$ 1,467,492</u>	<u>\$ 1,467,492</u>

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, 2018

	Head Start Program	Food Services Program	Total
ASSETS			
Current assets:			
Cash	\$ 32,368	\$ 1,533	\$ 33,901
Grants receivable	4,518	16,722	21,240
Prepaid expenses	46,229	-	46,229
Total current assets	83,115	18,255	101,370
Property and equipment, net	2,477,730	-	2,477,730
Total assets	\$ 2,560,845	\$ 18,255	\$ 2,579,100
LIABILITIES AND NET ASSETS			
Liabilities -			
Current liabilities:			
Accounts payable	\$ 11,279	\$ 221	\$ 11,500
Accrued salaries and related benefits	25,984	1,312	27,296
Notes payable	65,704	-	65,704
Total current liabilities	102,967	1,533	104,500
Long-term liabilities:			
Notes payable	1,095,720	-	1,095,720
Total liabilities	1,198,687	1,533	1,200,220
Net assets:			
Without donor restrictions	1,362,158	16,722	1,378,880
Total liabilities and net assets	\$ 2,560,845	\$ 18,255	\$ 2,579,100

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Schedule of Grant Revenue
Year Ended December 31, 2018

Food Services Program	\$ 170,935
Child Care and Development Fund	4,518
Head Start Program	<u>2,053,995</u>
	<u>\$ 2,229,448</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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2019.

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.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 18, 2019

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, 2018. 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, 2018.

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 preceding paragraph 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the schedule of findings and questioned costs as items 2018-001 and 2018-002 to be material weaknesses.

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.

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 18, 2019

AVOYELLES CHILD DEVELOPMENT SERVICES, INC
Moreauville, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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	\$ 211,603
U.S. Department of Health and Human Services: Passed through Louisiana Dept. of Education - Child Care and Development Fund - CCDF Cluster	93.575	4,518
Head Start Program	93.600	<u>2,041,565</u>
Total U.S. Department of Health and Human Services		<u>2,046,083</u>
Total federal expenditures		<u>\$ 2,257,686</u>

The accompanying notes are an integral part of this schedule.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC.
Moreauville, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

(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	\$ 2,373,095
Add: Principle payments on notes	78,998
Change in prepaid insurance	737
Less: In-kind contributions	(43,060)
Depreciation	(135,361)
Insurance rebate expenditures	<u>(16,723)</u>
Total federal expenditures reported in the Schedule of Expenditures of Federal Awards	<u>\$ 2,257,686</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, 2018

Part I. Summary of Auditor's Results:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Avoyelles Child and Development Services, Inc. were prepared in accordance with GAAP.
2. No instances of significant deficiencies in internal control were disclosed during the audit of the financial statements of the Avoyelles Child Development Services, Inc. No material weaknesses are reported.
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. Two deficiencies in internal control over the major program were 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 not 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 findings 2018-001 and 2018-002 on the schedule of current and prior year audit findings and management's corrective action plan.

AVOYELLES CHILD DEVELOPMENT SERVICES, INC.
Moreauville, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

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, 2018

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

A. Internal Control Over Compliance

2018-001 Eligibility

Year Finding Initially Occurred: 2017

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

CONTEXT: In October 2018, representatives from Head Start's Regional office in Dallas, Texas conducted follow-up monitoring of the Organization's 2018 eligibility determinations. Based on monitoring visit, no issues were repeated as previously noted. Additionally, for one of forty eligibility determinations tested during the audit, income was not calculated correctly. This miscalculation resulted in the child meeting income eligibility requirements; however, the child should have been coded to a higher income classification. Although the miscalculation resulted in that child being misclassified as to his eligibility status, the Organization was still in compliance with program requirements.

CONDITION: The Organization did not properly verify and calculate eligibility.

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.

MANAGEMENT'S CORRECTIVE ACTION PLAN: During 2018 the Organization completed the implementation of a new monitoring database system that will improve management's oversight of the enrollment process. In January 2019 extensive staff training was completed on the operations of the new monitoring system and a management plan was developed which outlines data entry and management oversight responsibilities.

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, 2018

2018-002 Participant Selection Process

Year Finding Initially Occurred: 2018

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

CONTEXT: In October 2018, representatives from Head Start's Regional office in Dallas, Texas conducted a monitoring review of the Organization's participant selection process.

CONDITION: The Organization does not annually establish selection criteria that weighs the prioritization of selection of participants based on community needs.

CRITERIA: §1302, *Program Operations*, of the Head Start Handbook.

CAUSE: The Organization failed to implement adequate internal controls over the selection process of participants.

EFFECT: Inadequate internal controls over the selection process of participants could result in the Organization not meeting enrollment requirements which could put the Organization's funding at risk.

QUESTIONED COSTS: None.

RECOMMENDATION: The Organization should implement and enforce adequate internal controls that require the annual establishment of participant selection criteria. The selection criteria should weigh the prioritization of selection of participants based on community needs identified in a community needs assessment as described in §1302.11, *Determining Community Strengths, Needs, and Resources*, of the Head Start Handbook.

MANAGEMENT'S CORRECTIVE ACTION PLAN: In January 2019 the Organization's Policy Council and Board of Directors approved revisions to the Organization's Eligibility, Recruitment, Selection, Enrollment, and Attendance (ERSEA) Policies and Procedures to establish selection criteria that weighs the prioritization of selection of participants based on identified community needs. Revisions to the participant application form as well as the Organization's monitoring database have been completed to insure the applicant's Prioritized Waiting List reflects the revised selection criteria.

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, 2018

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2017-001 Eligibility

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

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.

CURRENT STATUS: Partially resolved. See finding 2018-001.

CORRECTIVE ACTION TAKEN: During 2018 the Organization completed the implementation of a new monitoring database system that will improve management's oversight of the enrollment process. In January 2019 extensive staff training was completed on the operations of the new monitoring system and a management plan was developed which outlines data entry and management oversight responsibilities. A monitoring plan was also developed to ensure proper checks and balances are in place to verify that the number of enrolled children and daily attendance records are monitored on a regular basis.

B. Compliance

There were no compliance findings reported.

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

Avoyelles Child Development Services, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2018.

Audit conducted by:

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

Audit Period: Fiscal year ended December 31, 2018

The findings from the December 31, 2018 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

2018-001 **RECOMMENDATION:** The Organization should implement and enforce adequate internal controls that require supervisor review of all eligibility determinations.

MANAGEMENT’S CORRECTIVE ACTION PLAN: During 2018 the Organization completed the implementation of a new monitoring database system that will improve management’s oversight of the enrollment process. In January 2019 extensive staff training was completed on the operations of the new monitoring system and a management plan was developed which outlines data entry and management oversight responsibilities. A monitoring plan was also developed to insure proper checks and balances are in place to verify that the number of enrolled children and daily attendance records are monitored on a regular basis.

2018-002 **RECOMMENDATION:** The Organization should implement and enforce adequate internal controls that require the annual establishment of participant selection criteria. The selection criteria should weigh the prioritization of selection of participants based on community needs identified in a community needs assessment as described in §1302.11, *Determining Community Strengths, Needs, and Resources*, of the Head Start Handbook.

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MANAGEMENT'S CORRECTIVE ACTION PLAN: In January 2019 the Organization's Policy Council and Board of Directors approved revisions to the Organization's Eligibility, Recruitment, Selection, Enrollment, and Attendance (ERSEA) Policies and Procedures to establish selection criteria that weighs the prioritization of selection of participants based on identified community needs. Revisions to the participant application form as well as the Organization's monitoring database have been completed to insure the applicant's Prioritized Waiting List reflects the revised selection criteria.

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

Sincerely,

Evelyn Scallan
Executive Director

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

Agreed-Upon Procedures Report

Period Ended December 31, 2018

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ms. Evelyn Scallan, Executive Director,
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, 2018 through December 31, 2018. 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, 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 and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories:
 - 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.

Board or Finance Committee

- 2. We obtained and inspected 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) We observed 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, we observed 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, we obtained the prior year audit report and observed 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.

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

Collections

- 4. Obtained 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 selected 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete. Randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected 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 observed 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. Inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected 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.* Obtained supporting documentation for each of the 10 deposits and:
- a) Observed that receipts are sequentially pre-numbered.
 - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Traced the deposit slip total to the actual deposit per the bank statement.
 - d) Observed 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) Traced the actual deposit per the bank statement to the general ledger.

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

8. Obtained a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed 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, obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. Randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:
- a) Observed that the disbursement matched the related original invoice/billing statement.
 - b) Observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

11. Obtained 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. Obtained management's representation that the listing is complete.
12. Using the listing prepared by management, randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:
- a) Observed 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) Observed 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 selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed 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).

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtained 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 selected 5 reimbursements, obtained 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, agreed 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, observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtained 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. Obtained management's representation that the listing is complete. Randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observed 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) Observed 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), observed that the original contract terms provided for such an amendment.
 - d) Randomly selected one payment from the fiscal period for each of the 5 contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

16. Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected 5 employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtained attendance records and leave documentation for the pay period, and:
 - a) Observed 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) Observed that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly selected two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agreed the hours to the employee/officials' cumulate leave records, and agreed the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtained 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.

Ethics

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

Debt Service

21. Obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. Obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

Other

23. Obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Selected all misappropriations on the listing, obtained supporting documentation, and observed 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. Observed 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.

Findings:

In accordance with the Statewide Agreed-Upon Procedures, certain categories may be excluded from testing. Therefore, the following categories were not tested this year: Board, Bank Reconciliations, Cash Collections, Credit/Debit/Fuel Cards, Travel and Expense Reimbursement, Contracts, Ethics, and Debt Service.

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

Written Policies:

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

Management's Response:

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

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
June 18, 2019