

CARC, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

February 26, 2019

To the Board of Directors
CARC, INC.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion of 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 of 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 principles 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 opinion.

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To the Board of Directors
February 26, 2019
Page Two

Opinion

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

Other Matters

Report on Summarized Comparative Information

We have previously audited CARC, INC.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information and the schedule of compensation, benefits and other payments to chief executive officer on pages 23 through 26 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements 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 taken as a whole.

Other Reporting Require by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 26, 2019, on our consideration of CARC, INC.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CARC, INC.'s 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 CARC, INC.'s internal control over financial reporting and compliance.

Dragsen, Casiday & Guillory

CARC, INC.

Statement of Financial Position

June 30, 2018

With Comparative Totals as of June 30, 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,699,229	\$ 3,445,096
Investments	1,680,284	660,335
Accounts receivable		
Grants and contracts, net	5,906	15,967
Medicaid, net	968,838	1,713,738
Work Activity, net	35,166	63,436
Client Liability, net	28,081	3,165
Other	67,183	65,139
Accrued interest receivable	7,559	7,559
Note receivable-current portion	15,402	14,441
Merchandise inventory	77,036	61,510
Prepaid expenses-other	22,047	24,199
Total current assets	<u>6,606,731</u>	<u>6,074,585</u>
 PROPERTY, PLANT, AND EQUIPMENT		
Land	638,881	638,881
Buildings	4,108,178	4,961,851
Leasehold improvements	196,385	196,385
Furniture, fixtures, and equipment	1,282,430	1,313,722
Transportation equipment	1,175,612	1,362,442
Construction in progress	125,757	-
	<u>7,527,243</u>	<u>8,473,281</u>
Less accumulated depreciation	<u>(4,090,240)</u>	<u>(4,861,753)</u>
	<u>3,437,003</u>	<u>3,611,528</u>
 OTHER ASSETS		
Deposits	51,637	12,160
Note receivable-noncurrent portion	465,423	480,855
	<u>517,060</u>	<u>493,015</u>
	<u>\$ 10,560,794</u>	<u>\$ 10,179,128</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable - trade	\$ 149,522	\$ 42,466
Accrued salaries	219,404	136,060
Payroll taxes payable	17,099	15,349
Deferred revenue	541,503	-
Accrued expenses - other	113,780	42,185
Total current liabilities	1,041,308	236,060
 NET ASSETS		
Unrestricted	9,483,566	9,928,068
Temporarily restricted	35,920	15,000
	9,519,486	9,943,068

\$ 10,560,794

\$ 10,179,128

CARC, INC.

Statement of Activities

Year Ended June 30, 2018

With Comparative Totals for the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Federal, state and local grants/contracts	\$ 100,743	\$ -	\$ 100,743	\$ 122,799
Medicaid	6,631,792	-	6,631,792	7,774,718
Contributions	882,540	-	882,540	932,246
Membership dues	1,245	-	1,245	6,431
Auxiliary activities	604,226	-	604,226	808,507
Other program fees	374,697	-	374,697	349,946
Fund raising	43,660	20,920	64,580	29,156
Investment income (loss)	57,982	-	57,982	(28,619)
Gain on disposal of assets	17,500	-	17,500	214,463
Other income	289,559	-	289,559	275,075
Net assets released from restrictions				
Expiration of time restrictions- United Way	-	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>9,003,944</u>	<u>20,920</u>	<u>9,024,864</u>	<u>10,484,722</u>
EXPENSES AND LOSSES				
Program services	9,204,125	-	9,204,125	9,881,798
Supporting services				
Management and general	244,321	-	244,321	428,258
TOTAL EXPENSES AND LOSSES	<u>9,448,446</u>	<u>-</u>	<u>9,448,446</u>	<u>10,310,056</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(444,502)</u>	<u>20,920</u>	<u>(423,582)</u>	<u>174,666</u>
NET ASSETS AT BEGINNING OF YEAR	<u>9,928,068</u>	<u>15,000</u>	<u>9,943,068</u>	<u>9,768,402</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,483,566</u>	<u>\$ 35,920</u>	<u>\$ 9,519,486</u>	<u>\$ 9,943,068</u>

The accompanying notes are an integral part of this statement.

CARC, INC.

Statement of Functional Expenses

Year Ended June 30, 2018

With Comparative Totals for the year ended June 30, 2017

	Program Services		
	Work Activity	Adult Habilitation	Residential Services
Salaries and wages	\$ 666,154	\$ 869,578	\$ 837,466
Payroll taxes	62,819	73,720	72,093
Total salaries and related expenses	728,973	943,298	909,559
Advertising	1,651	578	-
Bad debts	-	-	-
Central office overhead	240,438	253,437	404,173
Consultants	-	-	56,376
Contract services	23,430	1,345	8,930
Dues and subscriptions	125	2,316	3,480
Employee benefits	18,655	41,606	14,970
Habilitative services	-	-	274,840
Insurance	55,119	88,699	51,474
Licenses	625	94	3,793
Medicaid provider fees	-	-	201,827
Medical	-	-	7,516
Miscellaneous	1,581	6,132	28,000
Office expense	4,393	-	-
Professional services	27,473	-	-
Purchases-resale items	-	-	-
Recreation expense	-	(134)	40
Rent	132,032	-	-
Repairs and maintenance	49,153	31,056	53,835
Seminars	-	1,868	-
Supplies	45,310	16,012	160,211
Telephone	5,752	4,755	5,396
Transportation	12,551	108,329	23,461
Travel	(4)	10,263	175
Utilities	43,750	15,385	34,358
Total expenses before depreciation expense	1,391,007	1,525,039	2,242,414
Depreciation expense	62,056	27,766	44,127
	<u>\$ 1,453,063</u>	<u>\$ 1,552,805</u>	<u>\$ 2,286,541</u>

The accompanying notes are an integral part of this statement.

Program Services

Supervised Living	Respite	Eliminations	2018 Total	2017 Total
\$ -	\$ 2,712,072	\$ -	\$ 5,085,270	\$ 5,363,018
-	232,373	-	441,005	464,244
-	2,944,445	-	5,526,275	5,827,262
-	212	-	2,441	4,046
-	-	-	-	20
2,277	1,018,094	-	1,918,419	2,058,961
1,830	1,350	-	59,556	70,781
1,500	38,710	-	73,915	77,627
492	6,370	-	12,783	12,697
-	13,737	-	88,968	118,825
-	-	(274,840)	-	-
-	91,585	-	286,877	309,000
-	-	-	4,512	5,450
-	-	-	201,827	212,005
-	-	-	7,516	8,112
3,853	28,468	-	68,034	96,219
-	14	-	4,407	4,596
-	-	-	27,473	35,582
-	-	-	-	1,194
-	-	-	(94)	(208)
-	-	-	132,032	128,684
541	1,289	-	135,874	159,784
-	-	-	1,868	455
396	432	-	222,361	229,370
500	3,751	-	20,154	18,095
-	(18)	-	144,323	177,114
-	26,728	-	37,162	66,044
-	-	-	93,493	105,731
11,389	4,175,167	(274,840)	9,070,176	9,727,446
-	-	-	133,949	154,352
<u>\$ 11,389</u>	<u>\$ 4,175,167</u>	<u>\$ (274,840)</u>	<u>\$ 9,204,125</u>	<u>\$ 9,881,798</u>

Continued

CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2018

With Comparative Totals for the year ended June 30, 2017

	Supporting Services	
	Management and General	2017 Total
Salaries and wages	\$ 21,977	\$ 193,984
Payroll taxes	(48,943)	(18,325)
Total salaries and related expenses	(26,966)	175,659
Advertising	100	2,033
Bad debts	-	-
Central office overhead	28,846	35,332
Consultants	-	23
Contract services	-	-
Donation	-	-
Dues and subscriptions	730	797
Employee benefits	-	-
Fundraising	13,342	10,731
Habilitative services	-	-
Insurance	90,330	50,325
Licenses	-	255
Medicaid provider fees	-	-
Medical	-	-
Miscellaneous	14,161	6,855
Office expense	-	-
Professional services	25	17,664
Purchases-resale items	-	-
Recreation expense	-	-
Rent	1,092	2,095
Repairs and maintenance	29,655	38,403
Seminars	-	93
Supplies	5,179	6,301
Telephone	-	192
Transportation	-	(33)
Travel	-	75
Utilities	27,437	23,524
Total expenses before depreciation expense	183,931	370,324
Depreciation expense	60,390	57,934
	<u>\$ 244,321</u>	<u>\$ 428,258</u>

The accompaning notes are an integral part of this statement.

CARC, INC.

Statement of Cash Flows

Year Ended June 30, 2018

With Comparative Totals as of June 30, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (423,582)	\$ 174,666
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	261,133	290,744
(Gain) loss on sale of fixed assets	(17,500)	(4,055)
(Gain) loss on sale of investments	600	(210,407)
Unrealized gain of investments	22,660	128,724
(Increase) decrease in:		
Unconditional promises to give	-	-
Accounts receivable	756,271	(772,439)
Accrued interest receivable	-	(2,551)
Inventory	(15,526)	5,311
Deposits and prepaids	(37,325)	65,375
Increase (decrease) in:		
Accounts payable - trade	107,056	(15,384)
Accrued salaries	83,344	24,405
Payroll taxes payable	1,750	6,342
Accrued expenses-other	71,595	(8,900)
NET CASH FROM OPERATING ACTIVITIES	<u>810,476</u>	<u>(318,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of investments	609,959	930,595
Purchase of investments	(1,653,168)	(56,086)
Proceeds from receipt of principal	14,471	13,596
Proceeds from sale of fixed assets	17,500	4,055
Insurance proceeds from loss of building	613,861	-
Purchases of fixed assets and construction in progress	(158,966)	(123,675)
NET CASH FROM INVESTING ACTIVITIES	<u>(556,343)</u>	<u>768,485</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	254,133	450,316
CASH AND CASH EQUIVALENTS JUNE 30, 2017	<u>3,445,096</u>	<u>2,994,780</u>
CASH AND CASH EQUIVALENTS JUNE 30, 2018	<u>\$ 3,699,229</u>	<u>\$3,445,096</u>
SUPPLEMENTAL DATA FOR NON CASH INVESTING ACTIVITIES:		
Net cost basis of building demolished	(72,358)	-
Amount of demolished building to offset deferred revenue	72,358	-
	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CARC, INC. is presented to assist in understanding CARC, INC.'s financial statements. The financial statements and notes are representations of CARC, INC.'s management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, which have been consistently applied in the preparation of the financial statements.

On October 31, 2012, the Company changed its legal name from Calcasieu Association for Retarded Citizens, Inc. to CARC, INC.

1. Nature of Activities

CARC, INC. was organized under Section 501 (c) (3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing the following services to mentally and physically handicapped persons (clients) in Southwest Louisiana:

Work Activity - Clients provide services to area businesses on a contract basis and produce various merchandise for resale to the public.

Adult Habilitation - Adults are taught day to day living skills and work opportunities.

Residential Services - The Association maintains six community homes which house six clients each on a "round the clock" supervised basis.

Supervised Independent Living - Clients are placed in local apartments and are supervised on a day-to-day, part-time basis.

Respite Services - The Association provides sitters for parents and guardians of clients.

The majority of the funding for the above programs is provided by Medicaid and the State offices of the Louisiana Department of Health and Hospitals. Without this funding, the Association would be forced to find alternative funding sources in order to maintain operations.

The board of directors decided to cease operations for the infant habilitation program effective January 2017 and to cease operations for the laundry portion of the work activity program effective December 2017.

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, CARC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

The Association considers all cash and investments with an initial maturity of three months or less to be cash equivalents.

6. Investments

Investments consist of Mutual Funds investing in debt and equity securities and stocks and Certificate of Deposits with a cost of \$1,689,952 which do not meet the Association's definition of cash equivalents. The investments are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. All highly liquid debt instruments with an original maturity of three months or less from date of purchase are considered cash equivalents. Amortization of premiums and discounts are recognized as income using the level yield method. Accumulated unrealized appreciation (depreciation) in assets classified as investments at June 30, 2018 was \$(8,912).

The Organization has reported their investments, with a remaining maturity at time of purchase of one year or less, at amortized cost. Investments with maturity at time of purchase of greater than one year are presented at fair value at June 30, 2018. Fair value was determined by obtaining "quoted" year-end market prices.

7. Property, Plant, and Equipment

The Association follows the practice of recording assets at cost or estimated fair value of donated assets at date of donation. All assets with estimated useful lives in excess of one year and \$5,000 are capitalized. Depreciation is provided on the straight-line method at rates calculated to allocate the recorded amounts over the estimated useful lives of the assets, ranging from 2 to 50 years. Depreciation and amortization amounted to \$261,133, of which \$66,793 is included in central office overhead expense in the accompanying statement of functional expenses.

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Expense Allocation

Direct costs are charged directly to the grants and programs in which the expense is incurred or they are allocated to the grants and programs based on the proportion of benefit resulting from the particular expenditure. All other costs not identifiable as direct charges are regarded as "central office overhead" and accumulated in a pool. This pool is distributed monthly to the grants and programs based on the proportion of each grant's/program's direct costs to total direct costs, computed on a monthly basis.

9. Eliminations

For report purposes, all significant inter-departmental accounts and transactions have been eliminated.

10. Income Taxes

The Association is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and generally is not subject to income taxes according to the provisions of Federal and Louisiana State income tax laws and regulations. In addition, CARC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the code.

11. Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the organization's program services.

12. Designated Net Assets

At its discretion, the Board may designate revenue for specific purposes. Any Board-designated funds would be segregated under the unrestricted net assets.

13. Inventory

Inventory is stated at the lower of cost or market. Cost is determined under the first-in, first-out method of accounting.

14. Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$45,874.

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 is \$35,920, which includes the principal amount of a donations received which the donor placed certain stipulations on the use of these funds. As of June 30, 2018, \$15,000 of the donation is for medical expenses for community home residents which are not paid for by Medicare or Medicaid. In the current year, \$20,920 of donations have been received and designated to be used for the construction of the new building. As of the end of the year, the funds had not been expended.

17. Promises to Give

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

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

18. Prior year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19. Subsequent Events

Management has evaluated subsequent events through February 26, 2019, the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2018, cash and cash equivalents consisted of the following:

Operating accounts, net of outstanding items	\$ 1,474,213
Money market accounts	<u>2,225,016</u>
	<u>\$ 3,699,229</u>

At June 30, 2018, the carrying amount of operating accounts was \$1,474,213 and the bank balance was \$3,281,781 of which \$814,358 is secured from risk by federal depository insurance, and the balance of \$2,467,423 is unsecured. In addition, a significant risk of loss existed at June 30, 2018 with regard to the monies invested in money market accounts and investments because those funds are not insured against market risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable amounts in the accompanying statement of financial position are reported net of the following allowance for doubtful accounts:

Contracts	<u>\$ 5,978</u>
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NOTE D - LONG TERM NOTE RECEIVABLE

Louisiana Disabled Persons Finance Corporation (LADPFC):
First Mortgage note; secured by a mortgage lien,
payable in monthly installments of principle and interest
of \$3,751 (interest at 6.25% per annum), maturity at February 2036.

	\$ 480,825
Less current maturities	<u>15,402</u>
Long-term note receivable, net of current portion	<u>\$ 465,423</u>

In February of 2006, Louisiana Disabled Persons Finance Corporation paid in full a loan to U.S. Department of Housing and Urban Development. The funding to pay the loan balance was derived from CARC, INC. Interest rate on CARC, INC.'s thirty-year mortgage is to be fixed for five years at 6.25% and terms are to be reviewed every five years. The Association has signed a use agreement with HUD to abide by HUD regulations, as they apply to this project, and the continued Section 8 contract.

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE E - MEDICAID PROVIDER FEE

The Association's residential services program is required, under Louisiana R.S. 46:2601-2605, to pay to the Department of Health and Hospitals a fee per patient day for each bed which is in use or reserved for a patient. The total of such fees for the year ended June 30, 2018 is \$201,827.

NOTE F - RELATED PARTY TRANSACTIONS

Included in accounts receivable-other at June 30, 2018 are operating advances to LADPFC of \$19,878, to Louie Street Apartments, Inc. of \$9,730, and to Stroud Manor, Inc. of \$6,302, affiliated non-profit organizations under common board of directors. In addition, Louisiana Disabled Persons Finance Corporation paid \$7,200, Louie Street Apartments, Inc. paid \$6,436 and Stroud Manor, Inc. paid \$2,848 in management fees to CARC, INC. for the year ended June 30, 2018. Also, see Note D for a loan between LADPFC and CARC, INC.. Summarized financial data of Louisiana Disabled Persons Finance Corporation, Louie Street Apartments, Inc., and Stroud Manor, Inc., as of and for the year ended June 30, 2018 is as follows:

Louisiana Disabled Person Finance Corporation

Total Assets	\$ 113,227
Total Liabilities	505,945
Net Assets (deficit)	<u>\$ (392,718)</u>
Total Revenue	\$ 141,105
Total Expenses	134,394
Change in Net Assets	<u>\$ 6,711</u>

Louie Street Apartments, Inc.

Total Assets	\$ 1,585,781
Total Liabilities	1,379,773
Net Assets (deficit)	<u>\$ 206,008</u>
Total Revenue	\$ 150,937
Total Expenses	157,588
Change in Net Assets	<u>\$ (6,651)</u>

Stroud Manor, Inc.

Total Assets	\$ 1,163,373
Total Liabilities	1,058,123
Net Assets (deficit)	<u>\$ 105,250</u>
Total Revenue	\$ 61,851
Total Expenses	75,140
Change in Net Assets	<u>\$ (13,289)</u>

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE G – INVESTMENTS

As of June 30, 2018, CARC, INC. had its assets in money market instruments, U.S. Treasury notes, U.S. agency securities, stocks and municipal bonds managed by financial institutions. The accounts managed by the financial institutions have a fair value of \$1,680,284 as of June 30, 2018. CARC, INC.'s investments are as follows:

<u>Type of Debt Investment</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investments at fair value		
Certificates of deposit	\$ 296,091	
U.S. Treasury notes	287,954	AAA
Government bonds	128,463	
Corporate bonds	227,375	A1 - BAA3
Equities	416,734	A1 – BAA3
Mutual funds	<u>323,667</u>	
Total investments at fair value	<u>\$ 1,680,284</u>	

CARC, INC. categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CARC, INC. has the following recurring fair value measurements as of June 30, 2018:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date have a value of \$967,776.

Level 2 inputs - U.S. Treasury securities, government agency securities, and municipal securities totaling \$712,508 are valued using market-based approach comprised of a combination of directly observable quoted prices and matrix pricing technique that relies on the securities' relationship to other benchmark quoted securities.

Interest rate risk: CARC, INC.'s policy on investments states that safety of principle is the foremost objective, followed by liquidity and yield. Each investment transaction shall seek to first insure that capital losses are avoided no matter the sources.

Concentration of Credit Risk: CARC, INC.'s investment portfolio had concentration of credit risk on June 30, 2018 due to the holdings of securities issued by the following U.S. agency securities and stocks. CARC, INC.'s investment portfolio consisted of 18% Certificates of deposit, 17% U.S. Treasury notes, 8% Government Bonds, 13% Corporate bonds, 25% Equities, and 19% Mutual funds. CARC, INC.'s policy does not address concentration risk.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE H - RETIREMENT PLAN

Effective September 1, 1997, a retirement savings plan and trust for the benefit of eligible employees was adopted. The plan covers substantially all of the employees, with the exception of client employees, of CARC, INC. who have attained the age of 21 and completed one year of service (at least 1,000 hours of service in a plan year). The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each participant may elect to have Compensation deferred by up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415. The maximum annual amount that an employee could contribute as an elective deferral for calendar year 2018 was \$18,500 per year. For the year ended June 30, 2018, salary deferrals by eligible participants totaled \$71,728. The employer may make a matching contribution to each participant based on the participant's elective deferrals in a percentage set by the employer prior to the end of each plan year. For the year ended June 30, 2018, the Board of Directors adopted an employer contribution of 50% of the first 6% that an employee contributes. Additional amounts may be contributed at the option of the Board of Directors. For the year ended June 30, 2018, the employer match totaled \$30,715.

NOTE I – RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE J – OPERATING LEASES

The Association leases three retail store spaces for its Treasure Chest stores and one facility for additional administrative space until the new building is complete. The Lake Charles store has a base monthly rental amount of \$6,630. This lease expires November 2018. The Moss Bluff store has a base monthly rental amount of \$2,709, which will increase to \$4,500 in October 2018. This lease expires November 2023. The Deridder store has a base monthly rental amount of \$1,800. This lease expires July 2018. The administrative office lease has a base rental amount of \$2,500. This lease expires October 2019. Lease expense amounted to \$132,032 for the year ended June 30, 2018. Minimum lease payments on long-term operating leases by year, and in aggregate, are as follows:

<u>Year ended</u>	
June 30, 2019	\$ 95,100
June 30, 2020	32,640
June 30, 2021	61,500
June 30, 2022	54,000
June 30, 2023	22,500

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE J – OPERATING LEASES (CONTINUED)

The Association is the lessor of multiple rental properties under operating leases. The lease agreements stipulate month-to-month leases for \$18,206 per month total. Following is a summary of the properties leased at June 30, 2018:

Homes	\$ 1,523,032
Equipment	628,619
Less: accumulated depreciation	<u>(1,097,092)</u>
	1,054,559
Land	188,980
	<u>\$ 1,243,539</u>

NOTE K - CENTRAL OFFICE OVERHEAD

Included in central office overhead expense in the accompanying Statement of Functional Expenses are the following natural expense categories:

Salaries and wages	\$ 1,199,013
Payroll taxes	<u>94,077</u>
Total salary and related expenses	1,293,090
Advertising	43,332
Bad debt	383
Bank charges	333
Consultants	1,654
Contract services	26,372
Dues and subscriptions	923
Employee benefits	108,265
Insurance	134,029
Licenses	1,199
Miscellaneous	3,251
Office expense	6,621
Professional services	33,603
Rent	15,184
Repairs and maintenance	65,853
Seminars	2,763
Supplies	65,081
Telephone	18,558
Transportation	31,229
Travel	11,034
Utilities	<u>28,287</u>
Total expenses before depreciation expense	1,891,044
Depreciation expense	<u>66,793</u>
Total central office overhead	<u>\$ 1,957,837</u>

CARC, INC.

Notes to Financial Statements

June 30, 2018

NOTE L – CONCENTRATION OF RISK

The Association is located in the Southwest Louisiana and performs most of its services in this area. The Association receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE M – DEFERRED REVENUE

The administrative building flooded during Hurricane Harvey in August of 2017. The Association received \$500,000 from flood insurance for the building and \$113,861 for contents in December 2017, which is included in deferred revenue. The Association has demolished the existing building, will raise the foundation, and rebuild in the same location. Demolition and construction of the new building is estimated at \$2,200,000. Also included in, and offsetting, deferred revenue is the net book value of the building which was demolished.

Construction in progress of \$125,746 consist of amounts paid through the end of the fiscal year to demolish the old building and begin construction of the new building.

SUPPLEMENTARY INFORMATION

CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized

Year Ended June 30, 2018

	<u>Central Office</u>	<u>Work Activity</u>	<u>Adult Habilitation</u>	<u>Residential Services</u>
Public support and revenue				
Federal, state and local grants/contracts	\$ -	\$ -	\$ 86,092	\$ -
Medicaid	-	-	983,908	1,763,776
Contributions	20,000	862,490	50	-
Total public support	<u>20,000</u>	<u>862,490</u>	<u>1,070,050</u>	<u>1,763,776</u>
Revenue				
Membership dues	1,245	-	-	-
Other program fees	16,587	-	274,840	358,110
Fund raiser income	64,580	-	-	-
Auxiliary activities	-	604,226	-	-
Investment income (loss)	57,951	31	-	-
Gain on disposal of assets	500	11,500	5,500	-
Other income	160,844	117,815	(5,187)	4,600
Total revenue	<u>301,707</u>	<u>733,572</u>	<u>275,153</u>	<u>362,710</u>
Total public support and revenue	321,707	1,596,062	1,345,203	2,126,486
Expenses and losses				
Program services	-	1,453,063	1,552,805	2,286,541
Supporting services				
Management and general	244,321	-	-	-
Total expenses and losses	<u>244,321</u>	<u>1,453,063</u>	<u>1,552,805</u>	<u>2,286,541</u>
Excess (deficiency) of public support and revenue over expenses	<u>\$ 77,386</u>	<u>\$ 142,999</u>	<u>\$ (207,602)</u>	<u>\$ (160,055)</u>

<u>Supervised Independent Living</u>	<u>Respite</u>	<u>Eliminations</u>	<u>Total</u>
\$ 7,238	\$ 7,413	\$ -	\$ 100,743
312,859	3,571,249	-	6,631,792
-	-	-	882,540
<u>320,097</u>	<u>3,578,662</u>	<u>-</u>	<u>7,615,075</u>
-	-	-	1,245
-	-	(274,840)	374,697
-	-	-	64,580
-	-	-	604,226
-	-	-	57,982
-	-	-	17,500
11,487	-	-	289,559
<u>11,487</u>	<u>-</u>	<u>(274,840)</u>	<u>1,409,789</u>
331,584	3,578,662	(274,840)	9,024,864
11,389	4,175,167	(274,840)	9,204,125
-	-	-	244,321
<u>11,389</u>	<u>4,175,167</u>	<u>(274,840)</u>	<u>9,448,446</u>
<u>\$ 320,195</u>	<u>\$ (596,505)</u>	<u>\$ -</u>	<u>\$ (423,582)</u>

OTHER INFORMATION

CARC, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER

Year Ended June 30, 2018

Chief Executive Officer: Libby Leone, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 77,650
Benefits - insurance	38
Benefits - retirement	2,270
Benefits - cell phone	-
Mileage	385
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	60
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meal reimbursements	64
Dues	205



Gragson, Casiday & Guillory, L.L.P.
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BRIAN MCCAIN, C.P.A.
BLAKE MANUEL, C.P.A.

INDEPENDENT AUDITORS' 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

February 26, 2019

To the Board of Directors
CARC, INC.

We have audited, 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, the financial statements of CARC, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CARC, INC.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CARC, INC.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

To the Board of Directors
February 26, 2019
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CARC, 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 instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.

CARC, INC.'s Response to Findings

CARC, INC.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. CARC, INC.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



CARC, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2018

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses(es) identified? ___ yes X no
- Control deficiency(s) identified that are
not considered to be material weakness(es)? X yes ___ none reported
- Noncompliance material to financial
statements noted? ___ yes X no

II. Findings Relating To The Financial Statements Which Are Required To Be Reported In Accordance With Generally Accepted Governmental Auditing Standards

Finding 2018-001: Late Submission of Financial Statements

Condition: The Association's June 30, 2018 financial statements were not timely submitted to the Legislative Auditor. The due date was December 31, 2018.

Criteria: The Association's June 30, 2018 financial statements are required to be submitted to the Legislative Auditor within six months of the year end.

Cause: The financial information was not complete and accurate at the due date. This included requested information and supporting documentation not available to the auditor on a timely basis.

Effect: The Association's June 30, 2018 financial statements were not timely submitted to the Legislative Auditor as required by state law.

Recommendation: Management should ensure that all accounting functions are completed timely and financial statements are submitted within the required time period.

Management Response: Management agrees with the finding. Steps have been taken to ensure future compliance.

III. Prior Year Findings

Finding 2017-001: Medicaid Eligibility Compliance

Condition: The Association did not correctly determine the eligibility of resident patients in calculating Medicaid payments due from the state. The Association is not allowed a monthly Medicaid payment for a resident patient if the balance in the resident patient fund account is in excess of \$2,000 at the end of that respective month.

Status: Satisfactorily corrected.

CARC, INC.

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

Year Ended June 30, 2018

III. Prior Year Findings - continued

Finding 2017-002: Late Submission of Financial Statements

Condition: The Association's June 30, 2017 financial statements were not timely submitted to the Legislative Auditor. The due date was December 31, 2017.

Status: Repeat finding in 2018.



Gragson, Casiday & Guillory, L.L.P.
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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
CARC, INC.

February 21, 2019

We have performed the procedures included enumerated below, which were agreed to by CARC, 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 year July 1, 2017 through June 30, 2018. The Association'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. 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.
The Association's policies and procedures do not address this area.
 - 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.
The Association's policies and procedures address #1, #2, #3 and #5 areas. The policies and procedures do not address #4 area.
 - c) *Disbursements*, including processing, reviewing, and approving.
The Association's policies and procedures do address this area.
 - d) *Receipt/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 confirmations with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).
The Association's policies and procedures do address this area.

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

The Association's policies and procedures do address this area.

- 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.

The Association's policies and procedures do address #1, #2 and #4 areas. The policies and procedures do not address #3 and #5 areas.

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage (.e.g., determining the reasonableness of fuel card purchases).

The Association's policies and procedures do not address this area.

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

The Association's policies and procedures do address this area.

- 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.

Not applicable.

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

The Association's policies and procedures do not address this area.

Management Response: A written policies and procedures manual is periodically reviewed for changes and additions.

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.

The board met monthly.

- 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.

The minutes did reference or include financial activity relating to public funds.

- 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.

Not applicable, the Association is non-profit entity.

Bank Reconciliations

3. Obtain a listing of the entity's 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 each selected 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);

Bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date.

- 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

Bank reconciliations did not include evidence that a member of management/board member reviewed each reconciliation.

- 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.

Not applicable, there were no items outstanding for more than 12 months for the statements tested.

Management Response: Procedures will be implemented to date the bank reconciliations and document that a member of management has reviewed each reconciliation.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

The listing was provided by management.

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 the 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.

Employees share cash registers, however, utilize individual access codes.

- 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.

Each employee responsible for collecting cash is not responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger.

- d) The employee 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.

The employee responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions is not responsible for collecting cash.

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

All employees are covered by an 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 no the same day). Obtain supported documentation for each of the deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions.

- 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).

No exceptions.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions.

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).

The listing was provided by management.

- 9. For each location selected under #8 above, obtain a list 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.

At least two employees are involved in initiating, approving and making a purchase.

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

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.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files. No other employee is responsible for periodically reviewing changes to vendor files.

Management Response: Another employee will be 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.

The employee responsible for signing checks 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.

All transactions tested where paid by and matched the original invoice.

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

No exceptions when applicable.

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), 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.

The listing was provided by management.

- 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 excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

No exceptions when applicable.

- b) Observe that finance charges and/or late fees were assessed on the selected statements.

No exceptions.

- 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, 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).

No exceptions when applicable.

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

- 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).

The Association's per diem and mileage rates do not exceed the GSA rates.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable, no reimbursements tested used actual costs.

- 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).

No exceptions.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions.

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. Obtain management's representation that the list 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.

No exceptions.

- 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).

None of the contracts selected for testing required by policy or law for board approval.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Not applicable. None of the contracts selected were amended during the fiscal year.

- 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.

No exceptions.

Payroll and Personnel

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

The listing was provided by management. All salaries were paid in accordance to authorized payrates.

17. Randomly select on 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.)

No exceptions.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions.

18. Obtain a listing of those employees/officials that received termination pay 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 payrates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions.

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.

Obtained management's representation.

Ethics

20. Using the five 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.

Not applicable, the Association is a non-profit entity.

- 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.

Not applicable, the Association is a non-profit entity.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the list is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each bond/note issued.

Not applicable, the Association is a non-profit entity.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable, the Association is a non-profit entity.

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.

Management informed us that the Association did not have any misappropriation of public funds or assets during the fiscal year.

24. Observe 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.

The Association has the required notice posted in a conspicuous place upon its premises. The notice was not posted on its website.

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

Drazen, Cassidy + Dullon