

Options Foundation, Inc.

Audited Financial Statements

June 30, 2017 and June 30, 2016

Ehricht & Associates, LLC
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OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

CONTENTS

	<u>Page No.</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
<u>Notes to Financial Statements</u>	10-19
<u>Supplementary Information</u>	
Schedule of Expenditures of Awards	21
Notes to Schedule of Expenditures of Awards	22
<u>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 <i>Government Auditing Standards</i></u>	23-24
Schedule of Findings and Questioned Costs	25
Schedule of Prior Year Audit Findings	26

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of

Options Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Options Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 Options Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements 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 December 26, 2017, on our consideration of Options Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Options Foundation, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Ehricht & Associates". The signature is written in a cursive style and includes a long horizontal flourish extending to the right.

Ehricht & Associates, LLC

Baton Rouge, Louisiana

December 26, 2017

FINANCIAL STATEMENTS

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 8,037	\$ 18,629
Cash - resident funds	141,308	128,312
Cash - Progressive Bingo	43,950	20,400
Contract receivables	173,477	169,771
Other current assets	<u>42,387</u>	<u>42,947</u>
<u>Total current assets</u>	<u>409,159</u>	<u>380,059</u>
<u>Fixed Assets</u>		
Land	88,325	88,325
Buildings	846,663	833,515
Vehicles	50,397	50,397
Furniture and Fixtures	77,163	68,790
Improvements	97,155	99,351
Computers and Equipment	<u>626,143</u>	<u>633,200</u>
	<u>1,785,846</u>	<u>1,773,578</u>
Accumulated Depreciation	<u>(926,674)</u>	<u>(798,843)</u>
<u>Total fixed assets</u>	<u>859,172</u>	<u>974,735</u>
<u>Other Assets</u>		
Deposits	8,612	8,612
Goodwill net of \$33,600 amortization for 2017/\$33,600 for 2016	-	-
Due from Related Companies	<u>310,550</u>	<u>205,865</u>
<u>Total Other Assets</u>	<u>319,162</u>	<u>214,477</u>
<u>Total Assets</u>	<u>\$ 1,587,493</u>	<u>\$ 1,569,271</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 192,627	\$ 197,451
Short-term notes payable	42,091	91,089
Notes payable - current portion	90,680	77,216
Other accrued expenses	42,648	29,691
Resident funds payable	141,308	128,312
Progressive Bingo liability	43,950	20,451
Accrued wages	20,727	19,540
Payroll taxes and related payables	138,887	138,887
Due to related companies	<u>-</u>	<u>-</u>
<u>Total current liabilities</u>	<u>712,918</u>	<u>702,637</u>
<u>Long Term Liabilities</u>		
Notes payable	<u>876,839</u>	<u>881,010</u>
<u>Total liabilities</u>	<u>1,589,757</u>	<u>1,583,647</u>
<u>Net Assets</u>		
Unrestricted	<u>(2,264)</u>	<u>(14,376)</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,587,493</u>	<u>\$ 1,569,271</u>

The accompanying notes are an integral part of these statements.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

CHANGES IN UNRESTRICTED NET ASSETS

<u>Revenues and Gains</u>	<u>2017</u>	<u>2016</u>
Unrestricted Support Revenues:		
Grant-Office of Mental Health-River Oaks	\$ 332,344	\$ 331,400
Grant-HUD/City of Baton Rouge-Options Villa	212,307	114,815
Rent Income-River Oaks	118,250	112,250
Rent Income-Options Villa	68,393	67,685
Rent Income-Options West	9,069	5,158
Rent Income-Options East	6,844	7,633
Rent Income Bayou Bingo	132,548	144,224
Income EVG BB	666,099	724,806
Income EVG Drusilla	405,693	344,738
Rent Drusilla Hall	100,958	85,706
Donations	44,144	69,247
Management Fees	100,910	18,316
Charitable Gaming	97,286	113,630
Vending Income	3,859	9,142
State LHC HUD Grant		-
Other	4,043	46,737
<u>Total Revenues and Gains</u>	<u>\$ 2,302,747</u>	<u>\$ 2,195,487</u>

The accompanying notes are an integral part of these statements.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

CHANGES IN UNRESTRICTED NET ASSETS-continued

<u>Expenses</u>	<u>2017</u>	<u>2016</u>
Program Services:		
River Oaks	\$ 378,915	\$ 370,817
Options Villa	267,313	278,478
Options West	9,014	11,226
Options East	15,172	16,887
Support Services:		
Management and General	-	3,393
Bayou Bingo	96,086	100,960
LSU Bingo	15,252	2,329
Donations	-	12,837
Other	-	8,663
EVG BB	803,915	859,595
EVG Drusilla	545,654	533,294
Drusilla Hall	74,396	57,273
Vending	3,246	7,744
State LHC HUD Passthrough Grant	-	-
Charitable Gaming	81,672	93,505
	<u>2,290,635</u>	<u>2,357,001</u>
<u>Increase (decrease) in Unrestricted Net Assets</u>	12,112	(161,514)
<u>Net Assets - beginning of period</u>	<u>(14,376)</u>	<u>147,138</u>
<u>Net Assets - end of period</u>	<u>\$ (2,264)</u>	<u>\$ (14,376)</u>

The accompanying notes are an integral part of these statements.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Expenses</u>	River Oaks	Options Villa	Options West	Options East	EVG BB	EVG Drusilla	Charitable Gaming	Management and General	Drusilla Hall	Bayou Bingo	LSU Bingo	Vending	2016 Total
Auto mileage	\$ 708	\$ 229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 937
Advertising	-	-	-	-	-	125	-	300	-	-	-	-	425
Amortization of Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-
Audit	-	-	-	-	-	-	-	12,000	-	-	-	-	12,000
Bank and billing charges	-	-	-	-	208	1,075	-	2,846	-	-	-	-	4,129
Bookkeeping	-	-	-	-	-	-	-	9,508	-	-	-	-	9,508
Consulting Fees	-	-	-	-	-	-	-	3,750	-	-	-	-	3,750
Contact Services	4,338	2,041	-	-	-	-	2,100	29,742	-	-	-	-	38,221
Charities Expense	-	-	-	-	331,370	201,916	-	-	-	-	-	-	533,286
Data Internet	5,891	3,981	-	-	32,003	35,033	-	7,283	-	-	-	-	84,191
Depreciation	45	21,458	-	7,267	41,501	2,423	-	1,363	-	12,273	-	-	86,330
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee Education	99	120	-	-	-	-	-	-	-	-	-	-	219
Equipment/Copier/rent	609	1,332	-	-	-	-	-	-	-	-	-	-	1,941
Food Supply	23,130	2,021	-	-	-	-	-	-	-	-	-	-	25,151
Fuel	8,758	-	-	-	-	-	-	-	-	-	-	-	8,758
Insurance Group Health	-	4,004	-	-	-	-	-	-	-	-	-	-	4,004
Insurance - General Liability	2,951	7,443	2,204	2,505	2,478	2,478	-	7,041	-	-	-	-	27,100
Insurance Property	3,043	5,771	447	723	-	-	-	3,328	-	-	-	-	13,312
Insurance Workers Compensation	2,991	1,889	-	-	1,574	1,574	315	3,687	-	-	-	-	12,030
Insurance - Auto	5,337	-	-	-	-	-	-	-	-	-	-	-	5,337
Insurance D&O	-	-	-	-	-	-	-	1,242	-	-	-	-	1,242
Interest	-	13,900	2,030	513	12,257	12,956	-	12,912	-	-	6,399	-	60,967
Miscellaneous	-	-	-	-	-	-	-	7,764	-	-	-	-	7,764
Office Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes	13,049	6,879	-	-	5,395	3,512	869	6,468	-	-	-	-	36,172
Payroll Fees	-	-	-	-	673	498	511	2,832	-	-	-	-	4,514
Pest Control	2,089	4,566	180	151	-	550	-	442	-	550	-	-	8,528
Progressive Bingo	-	-	-	-	-	-	10,750	-	-	-	-	-	10,750
Regulatory Fees	-	-	-	-	34,822	20,739	-	-	-	-	-	-	55,561
Rent	34,800	-	-	-	20,784	-	26,436	42,000	49,421	47,300	-	-	220,741
Repairs & Maintenance	12,992	16,976	615	300	1,062	1,972	-	9,217	-	367	8,209	-	51,710
Salaries	155,721	89,209	-	-	80,347	56,562	9,355	174,821	-	-	-	-	566,015
Sessions Bank	-	-	-	-	-	-	-	1,699	-	-	-	-	1,699
Software Licenses	-	-	-	-	50,188	31,505	-	-	-	-	-	-	81,693
Supplies	2,391	1,763	-	-	38,872	31,032	5,819	5,055	-	-	-	2,544	87,476
Security	-	-	-	-	41,941	73,637	-	264	-	-	-	-	115,842
Taxes and licenses	5,245	-	-	-	-	-	8,026	-	-	-	-	-	13,271
Telecommunications	-	-	-	-	-	-	-	2,228	-	4,108	-	-	6,336
Pass Through Expenses Grant	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Overhead Allocation	73,697	45,622	1,404	1,053	108,440	65,977	15,792	(350,939)	16,494	21,758	-	702	-
Utilities	21,031	38,109	2,134	2,660	-	2,090	-	4,846	8,481	9,730	644	-	89,725
	\$ 378,915	\$ 267,313	\$ 9,014	\$ 15,172	\$ 803,915	\$ 545,654	\$ 81,672	\$ -	\$ 74,396	\$ 96,086	\$ 15,252	\$ 3,246	\$ 2,290,635

The accompanying notes are an integral part of these statements.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

Expenses	River Oaks	Options Villa	Options West	Options East	EVG BB	EVG Drusilla	Charitable Gaming	Management and General	Drusilla Hall	Bayou Bingo	LSU Bingo	Donations	Other	Vending	2016 Total
Auto mileage	\$ 308	\$ 684	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 992
Advertising	-	-	-	-	-	1,975	-	-	-	300	-	-	-	-	2,275
Amortization of Goodwill	-	-	-	-	-	-	-	-	-	6,370	-	-	-	-	6,370
Audit	-	-	-	-	-	-	12,000	-	-	-	-	-	-	-	12,000
Bank and billing charges	-	200	-	-	466	826	2,567	-	-	-	-	-	-	-	4,059
Bookkeeping	-	-	-	-	-	-	10,399	-	-	-	-	-	-	-	10,399
Consulting Fees	-	-	-	-	-	-	12,620	-	-	-	-	-	-	-	12,620
Contact Services	5,920	3,080	-	-	-	-	2,100	65,122	-	-	-	-	-	-	76,222
Charities Expense	-	-	-	-	360,560	171,414	-	-	-	-	-	-	-	-	531,974
Data Internet	3,994	3,574	-	-	32,004	34,700	-	6,140	-	-	-	-	-	-	80,412
Depreciation	172	22,302	-	7,267	41,501	41,905	-	1,038	-	2,800	2,179	-	-	-	119,164
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee Education	268	201	-	-	-	-	-	-	-	-	-	-	-	-	469
Equipment/Copier/rent	604	2,632	-	-	-	-	-	-	-	-	-	-	-	-	3,236
Food Supply	24,812	2,118	-	-	-	-	-	-	-	-	-	-	-	-	26,930
Fuel	8,844	-	-	-	-	-	-	-	-	-	-	-	-	-	8,844
Insurance Group Health	-	6,795	-	-	-	-	-	-	-	-	-	-	-	-	6,795
Insurance - General Liability	4,491	8,091	1,638	4,863	3,086	3,086	2,666	-	-	-	-	-	-	-	27,921
Insurance Property	304	5,429	462	607	-	-	2,827	-	-	-	-	-	-	-	9,629
Insurance Workers Compensation	2,883	1,792	-	-	1,717	1,797	233	3,663	-	-	-	-	-	-	12,085
Insurance - Auto	5,440	-	-	-	-	-	-	-	-	-	-	-	-	-	5,440
Insurance D&O	-	-	-	-	-	-	715	-	-	-	-	-	-	-	715
Interest	-	16,481	1,639	242	-	12,956	-	3,740	-	-	150	-	-	-	35,208
Miscellaneous	-	-	-	-	-	-	-	9,652	-	-	-	-	-	-	9,652
Office Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes	12,288	6,489	-	-	5,177	3,567	1,050	17,367	-	-	-	-	-	-	45,938
Payroll Fees	-	-	-	-	686	511	572	2,732	-	-	-	-	-	-	4,501
Payroll Fees	-	-	-	-	-	550	-	-	-	600	-	-	-	-	11,110
Pest Control	2,239	6,761	960	-	-	-	-	-	-	-	-	-	-	-	10,850
Progressive Bingo	-	-	-	-	-	-	10,850	-	-	-	-	-	-	-	10,850
Regulatory Fees	-	-	-	-	38,848	22,758	-	-	-	-	-	-	-	-	61,606
Rent	33,600	-	-	-	8,660	8,660	28,780	42,000	33,464	51,600	-	-	-	-	206,764
Repairs & Maintenance	13,670	29,038	3,342	-	315	189	-	8,075	-	992	-	-	-	-	55,621
Salaries	146,383	87,631	-	-	76,668	57,951	11,278	183,700	-	-	-	-	-	-	563,611
Sessions Bank	-	-	-	-	-	-	8,605	-	-	-	-	-	-	-	8,605
Software Licenses	-	-	-	-	49,164	36,195	-	-	-	-	-	-	-	-	85,359
Supplies	1,190	776	-	-	36,328	20,574	6,704	7,315	-	-	-	-	-	6,049	78,936
Security	-	-	-	-	70,054	47,683	-	264	-	-	-	-	-	-	118,001
Taxes and licenses	368	-	-	-	-	-	2,270	-	-	-	-	-	-	-	2,638
Telecommunications	(676)	(253)	-	-	-	-	-	7,088	-	1,636	-	-	-	-	7,795
Pass Through Expenses Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Overhead Allocation	82,241	33,831	956	1,415	134,360	63,905	21,064	(403,594)	15,888	26,739	-	12,837	8,663	1,695	-
Utilities	21,474	40,824	2,229	2,493	-	2,092	-	5,299	7,921	9,923	-	-	-	-	92,255
	\$ 370,817	\$ 278,476	\$ 11,226	\$ 16,887	\$ 859,594	\$ 533,294	\$ 93,506	\$ 3,395	\$ 57,273	\$ 100,960	\$ 2,329	\$ 12,837	\$ 8,663	\$ 7,744	\$ 2,357,001

The accompanying notes are an integral part of these statements.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 12,112	\$ (161,514)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	86,330	105,556
Amortization of loan origination fee	-	70
Amortization of Goodwill	-	6,300
(Increase) decrease in resident funds	(12,996)	8,714
(Increase) decrease in Progressive Bingo funds	(23,550)	(7,555)
(Increase) decrease in contracts receivable	(3,706)	70,880
(Increase) decrease in other current assets	560	(430)
(Increase) decrease in deposits	-	-
Increase (decrease) in accounts payable	4,824	53,086
Increase (decrease) in accrued liabilities	12,957	9,212
Increase (decrease) in resident funds payable	12,996	(8,714)
Net cash provided (used) by operating activities	<u>89,527</u>	<u>75,605</u>
<u>Cash Flows From Investing Activities</u>		
Advances from/(to) related companies	(104,685)	(51,193)
Purchase of property	(12,268)	(35,862)
Net cash used by investing activities	<u>(116,953)</u>	<u>(87,055)</u>
<u>Cash Flows From Financing Activities</u>		
Loan Proceeds - short term debt	48,998	56,771
Loan payments - short term debt	-	-
Loan Proceeds - long term debt	9,293	-
Loan payments-long term debt	(41,457)	(47,113)
Net cash provided (used) by financing activities	<u>16,834</u>	<u>9,658</u>
Increase (Decrease) in Cash and Cash Equivalents	(10,592)	(1,792)
Cash and cash equivalents, beginning of period	<u>18,629</u>	<u>20,421</u>
Cash and cash equivalents, end of period	<u>\$ 8,037</u>	<u>\$ 18,629</u>
Cash Paid for Interest	<u>\$ 48,011</u>	<u>\$ 22,252</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. **Summary of Significant Accounting Policies**

(a) **Organization and Nature of Activities**

Options Foundation, Inc. is a private, non-profit organization whose purpose is to provide services for people with behavioral health requirements primarily in Baton Rouge, Louisiana. Rent is collected from residents.

Options Foundation, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Options Foundation, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There were unrelated business losses for 2016 and 2015.

(b) **Basis of Accounting**

The Organization maintains its books and prepares its financial statements on the accrual basis of accounting according to accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when earned, and expenses are recognized when incurred. All significant receivables, payables and other liabilities are reflected in the financial statements.

The Organization 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.

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

(c) **Net Assets**

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of contributor imposed restrictions. The Organization's net assets balance is comprised only of net assets for general use with no restrictions.

(d) **Other Accounting Policies**

Cash Equivalents

The Organization considers all highly liquid investments, including certificates of deposit with maturity of three months or less, to be cash equivalents.

Contributions

The Organization is required to report its contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization did receive a donation of the use of a facility which is reflected as donations received and rent expense. See Note 7.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

1. **Summary of Significant Accounting Policies (continued)**

Accounts Receivable

Accounts receivable, where recognized, are actual amounts owed to the Organization and are recognized at net amount owed with no allowance for uncollectible accounts. Management expects all receivables to be collectible for the years ended June 30, 2017 & 2016.

Use of Estimates

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

Cash in Banks

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation.

Subsequent Events

The Organization has evaluated subsequent events through December 26, 2017 the date the financial statements were available to be issued, for recording and disclosure.

2. **Fixed Assets**

Fixed assets acquired by Options Foundation, Inc. are considered owned by the Organization. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds, which have a cost of \$500 or more, and an estimated useful life of at least two years.

Options Foundation, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

<u>Estimated Useful Life</u>	
Buildings & Improvements	30 years
Furniture & equipment	5 - 12 years
Transportation equipment	5 years

Depreciation expense was \$86,330 and \$ 119,164 for the years ended June 30, 2017 and 2016, respectively. The organization acquired \$9,918 of leasehold improvements during the year ended June 30, 2017 and acquired \$29,685 of real estate improvements and \$ 6,175 of furniture and equipment during the year ended June 30, 2016.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

3. **Resident Funds Payable/Representative Payee Account**

Options Foundation, Inc., as a non-profit organization, has been designated a representative payee by the Social Security Administration for certain individuals participating in Options' residential programs. As representative payee, Options receives Social Security and/or Supplement Security Income (SSI) payments for individuals who cannot manage, or direct someone else to manage his or her money. The main responsibility of the payee is to use the funds to pay for the current and foreseeable needs of the beneficiary and to save any remaining funds for the beneficiary. A fee is collected by Options for performing this function. Because the funds are maintained and not owned by Options Foundation, Inc., the cash balance has been recorded as an asset on the financial statements with a corresponding liability of an equal amount.

4. **Contracts Receivable**

Receivables at years ended June 30, 2017 and 2016 are summarized below.

	<u>2017</u>	<u>2016</u>
DHH Office of Mental Health	\$ 57,481	\$ 57,346
Office of Community Development	89,906	88,938
Other	<u>26,090</u>	<u>23,487</u>
	<u>\$ 173,477</u>	<u>\$ 169,771</u>

5. **Allowance for doubtful accounts – contracts receivable**

Uncollectible contracts receivable are charged directly to earnings when they are determined to be uncollectible. All accounts receivable are evaluated completely at the end of each fiscal year and no allowance is deemed necessary.

6. **Compensated Absences**

The Organization allows full-time employees to receive compensation for vacation and sick leave as workload allows. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated, but are expensed as incurred.

7. **Leased Facilities**

Facilities used by Options Foundation, Inc. for River Oaks were leased for \$34,800 and \$33,600 for the years ended June 30, 2017 and 2016, respectively, from C&B Investments in 2017 and Medical Management Options, Inc for 2016. The current lease is a month-to-month lease. During fiscal year ended June 30, 2012, the lease was converted to a donation and is reflected in revenue as a donation for 2016 but payments were made for 2017 to C&B Investments.

Options Foundation, Inc. entered into a one year lease on June 1, 2011 with C & B Investments for the administrative office located at 8540 Quarters Lake Road in Baton Rouge, Louisiana. The monthly rent is \$3,000 per month. There was an automatic renewal clause in the lease. The lease was renewed in fiscal June 30, 2012 for \$3,500 per month. For FYE 6-30-2017 and 6-30-2016 the rent remained \$3,500 per month.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

On March 12, 2012, Options entered into a commercial lease for a Bingo Hall located at 15450 George O'Neal Road, Suites 8 & 9 in Baton Rouge, Louisiana. The lease was for two years with an option for a two year renewal with a monthly rental of \$4,300 per month. Upon acquiring the lease in March of 2012, prepaid rent of \$35,000 was paid of which \$30,100 remained prepaid at June 30, 2012. During the year ended June 30, 2013 \$21,500 of rent was paid and \$30,100 of prepaid rent was expensed for a total of \$51,600. For the year ended June 30, 2016 \$51,600 was paid. At the present time the lease is month-to-month at a monthly rate of \$4,300 per month.

8. **Related Party Transactions**

Options Foundation, Villa Care, Options of Ascension, and CHDO are under common control and have the same board of directors. The total amount owed to Options Foundation, Inc. from the related organizations amounted to \$310,550 and \$205,865 for the years ended June 30, 2017 and 2016, respectively. Balances of receivables and payables are a result of working capital advances to and from related organizations. The amounts owed at June 30, 2016 are as follows:

Due from Villa Care	\$ 322,547
Less Villa Care Reserve	(31,650)
Due from Options of Ascension	10,853
Due from CHDO	<u>8,800</u>
Total Amounts due	<u>\$ 310,550</u>

Brent Nettles who is the Executive Director is also an owner of C&B Investments which leases property to Options Foundation. (See Note 7.)

9. **Commitments, Contingencies, Concentrations and Economic Dependency**

Revenue – Options Foundation, Inc. receives a portion of its revenues from federal and state government grants and contracts, many of which are subject to audit by the federal or state government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to, and audited by, the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is not aware of any pending audits or proposed adjustments, and no provisions for estimated retroactive adjustments have been made. In regards to the HUD Office of Community Development Grant for Options Villa, the grant has been in effect for many years and the term of the grant is for the period beginning February 1st of each grant year and ending on January 31st of each grant year. The grant provided for reimbursements of qualified expenditures made during the period of the grant. The amounts expended in accordance with this grant were reimbursed through January of 2016. The amounts due for the reimbursements of expenditures for the period February through June of 2016 are included in Accounts receivable. There has been a pattern of delays in obtaining the signed grant for the current year until late December of the grant year and as a result payments are delayed until after the end of the grant year. It is expected that the contract will be signed and that the funds due as of June 30, 2017 will be received in 2018.

Options Foundation, Inc. received support from a number of sources. Significant among those are the following, reflecting their percent of total revenues provided in 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Housing & Urban Development (HUD)	9%	5%
State of Louisiana Department of Health & Hospitals	14%	15%
Bingo/Gaming	61%	60%

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

10. **Payroll taxes and related payables**

Prior to fiscal years ending in 2010 and 2011, payroll was maintained by Option's personnel and there was a problem; in that years later it was determined by the Internal Revenue Service that the employee yearly earnings reports, forms W-2s, were not filed. As a result, significant penalties were assessed against Options Foundation, Inc. These penalties are recorded on these financial statements for the year ended June 30, 2011. Attempts were made to have the penalties waived. During fiscal year June 30, 2012, the Internal Revenue Service did waive penalties which totaled \$ 67,642 and are recorded as revenue for the year ending June 30, 2012. The total amount owed to the Internal Revenue Service for the penalties amounted to zero for the years ended June 30, 2017 and 2016, respectively.

In prior years the unemployment taxes for the Louisiana Workforce Commission were determined using a reimbursable account which is not the norm for most employers. As a result there is a large balance due for old taxes. As of January 1, 2011, Options has been allowed to pay taxes like most other employers in the state of Louisiana which has resulted in a much lower tax obligation. Efforts are also being made to reduce or waive the old balance. The total amount owed to the Louisiana Workforce Commission for the unemployment taxes amounted to \$138,887 for the years ended June 30, 2017 and 2016, respectively.

11. **Notes Payable**

Notes payable consist of the following at June 30, 2017 and 2016: 2017 2016

Note dated September 14, 2000 with an original balance available of \$171,000, maturing April 1, 2021. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$712.50 beginning April 1, 2001. The loan is secured by a first mortgage on the subject property listed as 143 & 145 N. 24th Street and 2386 Convention St., Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Development.

The loan proceeds are restricted to property acquisition and rehabilitation construction costs.	\$ 35,305	\$ 43,463
Less: current maturities	<u>(8,550)</u>	<u>(8,550)</u>
Long-term debt, less current portion	<u>\$ 26,755</u>	<u>\$ 34,913</u>

Note dated June 14, 2002 with an original balance available of \$54,000, maturing November 1, 2020. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$250.00 beginning November 1, 2002. The loan is secured by a first mortgage on the subject property listed as 150 North 26th

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Street, Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge, of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Development. The loan proceeds are restricted to property acquisition and rehabilitation construction costs. As of June 30, 2010 \$52,000 had been disbursed for the purchase of property.	\$ 7,660	\$ 9,947
Less: current maturities	<u>(3,000)</u>	<u>(3,000)</u>
Long-term debt, less current portion	<u>\$ 4,660</u>	<u>\$ 6,947</u>

Note dated July 7, 2003 with an original balance available of \$88,000, maturing July 15, 2023. Principal is first repayable in 60 equal installments of \$656.20 each, commencing August 15, 2003. Starting August 15, 2008, principal is repayable in 179 equal installments of \$635.67 each. The final principal payment of \$634.35 will be made on July 15, 2023. For the first sixty months, the interest rate on this note will be 6.5%. Thereafter, the interest rate is subject to change based on changes in an independent index, the Weekly Average Yield on U.S. Treasury Securities. The variable interest rate on this note can be no less than 6% and no higher than 14.5%. This interest rate at June 30, 2010 was 6%. The loan is secured by Collateral Mortgage Note dated July 7, 2003.

Note dated July 7, 2003.	\$ 44,561	\$ 49,842
Less: current maturities	<u>(5,610)</u>	<u>(4,690)</u>
Long-term debt, less current portion	<u>\$ 38,951</u>	<u>\$ 44,558</u>

Note dated February 15, 2008 with an original balance of \$125,000, maturing May 31, 2028. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$521.00 beginning May 31, 2008. The loan is secured by a first mortgage on the subject property listed as 2631 Convention Street, Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Department. There are continuing compliance restrictions imposed on the loan.

Note dated February 15, 2008 with an original balance of \$125,000, maturing May 31, 2028. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$521.00 beginning May 31, 2008. The loan is secured by a first mortgage on the subject property listed as 2631 Convention Street, Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Department. There are continuing compliance restrictions imposed on the loan.	\$ 68,289	\$ 73,629
Less: current maturities	<u>(6,252)</u>	<u>(6,252)</u>
Long-term debt, less current portion	<u>\$ 62,037</u>	<u>\$ 67,377</u>

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<p>Note dated May 19, 2008 with an original balance of \$55,000, maturing June 30, 2028. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$230.00 beginning June 30, 2008. The loan is secured by a first mortgage on the subject property listed as 2618 Convention Street, Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Development. There are continuing compliance restrictions imposed on the loan.</p>		
	\$ 30,206	\$ 33,085
Less: current maturities	<u>(2,760)</u>	<u>(2,760)</u>
Long-term debt, less current portion	<u>\$ 27,446</u>	<u>\$ 30,325</u>
<p>Note dated December 16th, 2014 with a balance of \$ 272,556 due in 60 monthly payments of \$2,471 with interest at 5.5% and a final balloon payment on December 16th 2019. The loan is secured by real estate.</p>		
	\$ 234,510	\$ 249,056
Less: current maturities	<u>(17,102)</u>	<u>(16,189)</u>
Long-term debt, less current portion	<u>\$ 217,408</u>	<u>\$ 232,867</u>
<p>Note dated March 14, 2014 with a balance of \$257,108 due 59 monthly payments of \$3,705.02 and one payment of \$87,642 with 5.5 % interest and secured by equipment.</p>		
	\$ 154,048	\$174,362
Less: current maturities	<u>(37,166)</u>	<u>35,181)</u>
Long-term debt, less current portion	<u>\$ 116,882</u>	<u>\$ 139,124</u>

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

Notes Payable (continued)

	<u>2017</u>	<u>2016</u>
Non-negotiable promissory note with a balance of \$326,906 at 4% in equal monthly installments of \$3,694.65 beginning in 2021 until paid.	\$323,906	\$ 323,906
Less: current maturities	<u>-</u>	<u>-</u>
Long-term debt, less current portion	<u>\$ 323,906</u>	<u>\$ 323,906</u>
 Note dated May 20, 2016 with an original balance of \$75,000 with interest at 5.5% with payments monthly of \$1,148.80 due May 20, 2023 secured by real estate owned by C&B Investments.		
	\$ 69,034	\$ 50,000
	<u>(10,240)</u>	<u>-</u>
	<u>\$ 58,794</u>	<u>\$ 50,000</u>

Estimated principal maturities on long-term debt are as follows:

June 30, 2018	\$ 90,680
June 30, 2019	94,676
June 30, 2020	277,792
June 30, 2021	82,949
June 30, 2022	67,206
Thereafter	<u>354,216</u>
Total	<u>\$ 967,519</u>

Options Foundation, Inc. has a short term financing agreement for insurance with IPSF Corporation with interest at 4.29 percent.

12. **Charitable Gaming**

During 2008 Options Foundation, Inc. began conducting charitable gaming in the form of traditional and video bingo games. Louisiana law allows non-profit organization to partner with for profit organizations to conduct these activities with the proceeds going to the non-profit organization. Expenses for these activities include session rent, supplies and labor. There are separate cash accounts used for these purposes and a separate account used to fund the Progressive Bingo liability.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

13. **Uncertainties**

As disclosed in note 8 **Related Party Transactions**, there are significant amounts owed to Options Foundation, Inc. from related affiliate non-profit organizations. These affiliated organizations are funded by government grants and contracts which only provide for certain support. As a result of the needs of residents in Villa Care the expenses are much greater than the amount which has been provided in the funding with the government agency. In order to maintain the facilities for the residents, Options Foundation has continued to provide additional funds. During the years ended June 30, 2015 and 2014, management managed to recover additional funds from the agency to cover the shortages created over the years. An allowance has been made for the amount receivable from Villa Care. In November of 2013 a new contract was executed with the City of Baton Rouge for a HUD program grant in the amount of \$500,000 for a period of twelve months from February 1, 2013 through January 31, 2014 and another contract was entered in to for the period from February of 2014 through January of 2015. The grant includes Options Foundation and all of the related affiliate non-profit organizations. This has greatly improved the chances for the ultimate collectability of the related party receivables. At this time, the ultimate collectability of all these accounts remains uncertain.

14. **Restrictions on Net Assets**

Grants and funds received by Options Foundation, Inc. are temporarily restricted in that the funds are generally program specific and to be spent in accordance with grant guidelines. All temporarily restricted funds were disbursed during the year.

15. **Board of Directors' Compensation**

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member for director's fees.

16. **Retirement Plan**

All employees are covered under the social security program. No other retirement plan is maintained.

17. **Advertising**

The Organization expenses advertising expenses as incurred. The advertising expenses for 2017 were \$ 425 and the advertising expenses for 2016 were \$2,275.

18. **Functional Allocation of Expenses**

The costs of providing various programs and activities have been summarized in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization has determined that fund-raising costs other than charitable gaming are not material.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

19. **Uncertain Tax Positions**

The organization is subject to examination by various taxing authorities. Management has reviewed the Organization's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain positions is not material to the financial statements. The tax returns for the years 2017, 2016, 2015, and 2014 are open for examination by various taxing authorities.

20. **Executive Director's Compensation**

Brent Nettles is the only officer who received any compensation. Mr. Nettles received \$135,000 for the fiscal year ended June 30, 2017 and \$152,000 for the fiscal year ended June 30, 2016.

SUPPLEMENTAL INFORMATION

OPTIONS FOUNDATION, INC.
SCHEDULE OF FEDERAL/STATE FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA PASS-THROUGH GRANTOR'S NUMBER</u>	<u>DISBURSEMENTS EXPENDITURES</u>	
		<u>FEDERAL</u>	<u>STATE</u>
Department of Housing and Urban Development			
Pass through programs from:			
Continuum of Care Program	14.267	\$ 212,307	\$ -
Block Grant Section 108 Loan Guarantees	14.248	<u>141,459</u>	<u>-</u>
Subtotal Department of Housing and Urban Development		<u>353,766</u>	<u>-</u>
Louisiana Department of Health and Hospitals	709822	<u>-</u>	<u>332,334</u>
Totals		<u>\$ 353,766</u>	<u>\$ 332,334</u>

OPTIONS FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL /STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Options Foundation, Inc. under programs of the federal government for the year ended June 30, 2017. Because the Schedule presents only a selected portion of the operations of Options Foundation, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Options Foundation, Inc.

2. **Summary of Significant Accounting Policies**

- (a) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (b) Pass-through entity identifying numbers are presented where available.

3. **Insurance**

Options Foundation, Inc. is in compliance with insurance requirements which specify that they will provide Worker's Compensation and Employers' Liability insurance covering all employees engaged in services in compliance with the laws of the State of Louisiana. Options Foundation is also in compliance with the requirement to have a minimum coverage of \$1,000,000 for general liability and automobile liability.

December 26, 2017

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

To the Board of Directors
Options Foundation, Inc.
Baton Rouge, 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 Options Foundation, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Options Foundation, 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 Options Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Options Foundation, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described as 2017-001 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Options Foundation, 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 are required to be reported under *Government Auditing Standards* and which are described as item 2017-001 in the accompanying schedule of findings and questioned costs.

Options Foundation, Inc.'s Response to Findings

Options Foundation, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Options Foundation, 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Ehricht & Associates" with a long horizontal line extending to the right.

Ehricht & Associates, LLC

Baton Rouge, Louisiana
December 26, 2017

OPTIONS FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Summary of Audit Results

- a. The auditors' report expressed an unqualified opinion on the financial statements of Options Foundation, inc., for the year ended June 30, 2017.
- b. *Report on Internal Control and Compliance Material to the Financial Statements*
 - Internal Control
 - Material Weaknesses Yes No
 - Significant Deficiencies Yes No
 - Compliance
 - Compliance Material to Financial Statements Yes No
 - Auditee qualifies as low risk Yes No

Findings – Internal Control

Finding 2017-001

Observation

As is common in small organizations, management has chosen to engage the auditors to propose certain year-end adjusting entries and to prepare the organization's annual financial statements. This condition is intentional by management based upon the Organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued professional auditing standards require that we report the above condition as a control deficiency. The standards do not provide exceptions to reporting deficiencies that are adequately mitigated with non- attest services rendered by the auditors or deficiencies for which the remedy would be cost or otherwise impractical.

Criteria

Proper internal controls under professional auditing standards require management to prepare the Organization's annual financial statements.

Effect

This finding has no effect on the financial statements.

Cause

It is not cost effective for the Organization to cure this control deficiency.

Recommendations:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying the reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies that an auditor reports under professional auditing standards. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and, accordingly, do not believe any corrective action is necessary.

Management's corrective action plan:

Management agrees with this finding and the recommendation.

Compliance Findings

There were no compliance findings.

Questioned Costs

There are no questioned costs for the year ended June 30, 2017.

OPTIONS FOUNDATION, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Summary of Prior Audit Findings

Finding 2016-1

Observation

As is common in small organizations, management has chosen to engage the auditors to propose certain year-end adjusting entries and to prepare the organization's annual financial statements. This condition is intentional by management based upon the Organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued professional auditing standards require that we report the above condition as a control deficiency. The standards do not provide exceptions to reporting deficiencies that are adequately mitigated with non- attest services rendered by the auditors or deficiencies for which the remedy would be cost or otherwise impractical.

Status

As stated in finding 2016-1, Options Foundation, Inc. has concluded because prudent management requires that the potential benefit from an internal control must not exceed the cost, it is not practical to correct all of the deficiencies that an auditor reports under professional standards and no action has been taken as recommended by the auditors.