

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

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FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
FOR THE YEAR ENDED  
MARCH 31, 2018

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MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
MARCH 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Morehouse Community Improvement Organization, Inc.  
Bastrop, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Morehouse Community Improvement Organization, Inc., which comprise the statement of financial position as of March 31, 2018, and related statement of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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 auditors' 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Morehouse Community Improvement Organization, Inc., as of March 31, 2018, and the respective changes in 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 Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Statement of Expenditures - Budget and Actual, and the schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer 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 as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018 on our consideration of Morehouse Community Improvement Organization, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morehouse Community Improvement Organization, Inc.'s internal control over financial reporting and compliance.

*Johnson Perry Roussel & Cuthbert, LLP*

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS  
August 31, 2018

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2018

ASSETS

CURRENT ASSETS

Cash in Bank	67,176
Accounts Receivable - Grants	135,456
Contributions Receivable - Restricted	<u>3,564,000</u>

<u>TOTAL CURRENT ASSETS</u>	<u>3,766,632</u>
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FIXED ASSETS

Furniture and Equipment (Net of Accumulated Depreciation)	<u>163,962</u>
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<u>TOTAL FIXED ASSETS</u>	<u>163,962</u>
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<u>TOTAL ASSETS</u>	<u>3,930,594</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	144,900
Advance Funding	<u>-</u>

<u>TOTAL LIABILITIES</u>	<u>144,900</u>
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NET ASSETS

Unrestricted Net Assets	
Operations	57,732
Fixed Assets	163,962
Temporarily Restricted	<u>3,564,000</u>

<u>TOTAL NET ASSETS</u>	<u>3,785,694</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>3,930,594</u>
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The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Operations</u>	<u>Fixed Assets</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>UNRESTRICTED</u>				
<u>SUPPORT AND REVENUE</u>				
Grants - HHS	2,530,170	-	-	2,530,170
Grants - USDA Food Program	246,286	-	-	246,286
Donations	636,956	-	3,564,000	4,200,956
Fund-Raising	10,013	-	-	10,013
Interest	326	-	-	326
Other Revenue	12,672	-	-	12,672
	<u>3,436,423</u>	<u>-0-</u>	<u>3,564,000</u>	<u>7,000,423</u>
<u>EXPENSES</u>				
<u>Program Services:</u>				
Head Start (HHS)	2,798,292	23,071	-	2,821,363
USDA - Food Services	168,870	475	-	169,345
Youth Education	8,488	-	-	8,488
	<u>2,975,650</u>	<u>23,546</u>	<u>-0-</u>	<u>2,999,196</u>
<u>SUPPORT SERVICES</u>				
General and Administrative	284,617	2,048	-	286,665
	<u>284,617</u>	<u>2,048</u>	<u>-0-</u>	<u>286,665</u>
<u>FUND-RAISING</u>				
	-	-	-	-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>3,260,267</u>	<u>25,594</u>	<u>-0-</u>	<u>3,285,861</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	176,156	( 25,594)	3,564,000	3,714,562
<u>CHANGES IN NET ASSETS</u>				
Acquisition of Property	( 86,360)	86,360	-	-0-
Gain on Asset Disposition	-	-	-	-0-
<u>NET ASSETS - BEGINNING OF YEAR</u>	( 32,064)	103,196	-0-	71,132
<u>NET ASSETS - END OF YEAR</u>	<u>57,732</u>	<u>163,962</u>	<u>3,564,000</u>	<u>3,785,694</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED MARCH 31, 2018

	<u>HEAD START</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>YOUTH EDUCATION</u>	<u>TOTAL PROGRAM SERVICES</u>
Salaries	1,297,706	81,946	-	1,379,652
Fringes	<u>383,727</u>	<u>6,788</u>	-	<u>390,515</u>
<u>TOTAL PERSONNEL</u>	<u>1,681,433</u>	<u>88,734</u>	<u>-0-</u>	<u>1,770,167</u>
Travel	2,183	433	-	2,616
Supplies	22,566	1,981	-	24,547
Food	82,520	61,057	-	143,577
Contractual	67,945	600	-	68,545
Donations	-	-	8,488	8,488
Other Costs	<u>941,645</u>	<u>16,065</u>	-	<u>957,710</u>
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>2,798,292</u>	<u>168,870</u>	<u>8,488</u>	<u>2,975,650</u>
<u>DEPRECIATION</u>	<u>23,071</u>	<u>475</u>	-	<u>23,546</u>
<u>TOTAL EXPENSES</u>	<u>2,821,363</u>	<u>169,345</u>	<u>8,488</u>	<u>2,999,196</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
 FOR THE YEAR ENDED MARCH 31, 2018

	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL EXPENSES</u>
Salaries	166,060	1,545,712
Fringes	<u>38,758</u>	<u>429,273</u>
 <u>TOTAL PERSONNEL</u>	 <u>204,818</u>	 <u>1,974,985</u>
Travel	24	2,640
Supplies	17,406	41,953
Food	-	143,577
Contractual	11,459	80,004
Donations	-	8,488
Other Costs	<u>50,910</u>	<u>1,008,620</u>
 <u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	 <u>284,617</u>	 <u>3,260,267</u>
 <u>DEPRECIATION</u>	 <u>2,048</u>	 <u>25,594</u>
 <u>TOTAL EXPENSES</u>	 <u>286,665</u>	 <u>3,285,861</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2018

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in Net Assets	3,714,562
Adjustments to Reconcile Changes in Net Assets	
To Net Cash Used for Operating Activities:	
Depreciation	25,594
(Increase) Decrease in Accounts Receivable - Grants	( 109,060)
(Increase) Decrease in Contributions Receivable - Restricted	(3,564,000)
(Increase) Decrease in Accounts Payable and Accrued Expenses	67,078
Increase (Decrease) in Advance Funding	<u>          -</u>
Net Cash Provided (Used) for Operating Activities	<u>134,174</u>

CASH FLOWS USED FOR INVESTING ACTIVITIES:

Purchase of Fixed Assets	( 86,360)
Net Cash Provided (Used) for Investing Activities	( 86,360)

<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	47,814
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<u>CASH AND CASH EQUIVALENTS - MARCH 31, 2017</u>	<u>19,362</u>
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<u>CASH AND CASH EQUIVALENTS - MARCH 31, 2018</u>	<u><u>67,176</u></u>
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SUPPLEMENTAL DATA

Interest Paid	-0-
Income Taxes Paid	-0-

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Statement of Presentation

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

B. Organization

Morehouse Community Improvement Organization, Inc. was organized to promote and develop economic opportunities for the people of Morehouse and West Carroll parishes. The Organization is operated exclusively for charitable, educational, and scientific purposes. The main operation is a Head Start program. The Organization is not a component unit of any other governmental organization.

C. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

E. Fixed Assets

Fixed assets acquired by the Organization are considered to be owned by the Organization. However, State and Federal funding sources 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 and Federal governments have a reversionary interest in those assets purchased with its funds.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Fixed Assets (Continued)

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000. Depreciation is computed on a straight-line basis over the estimated service lives of the assets.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The following yearly lives have been assigned to the fixed assets:

Computer Equipment and Vehicles	5
Furniture, Fixtures and Equipment	7
Improvements	10
Buildings	39

Net values are computed as follows:

Computer Equipment and Vehicles	385,790
Furniture, Fixtures and Equipment	664,070
Improvements	452,357
Buildings	<u>128,167</u>
Total	1,630,384
Less: Accumulated Depreciation	<u>1,466,422</u>
<u>NET VALUE</u>	<u><u>163,962</u></u>

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same year in which the contributions are recognized.

G. Functional Allocation of Expenses

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

H. Cash in Bank

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation. The Organization had \$-0- in the bank that was not insured by an agency of the federal government.

I. Related Party Transactions

There were no related party transactions for the year ended March 31, 2018.

J. Advertising Costs

Advertising costs are expensed as they are incurred. Advertising expenses for the year ended March 31, 2018 were \$-0-.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS:

The Organization receives its monies through various methods of funding. Most of the funds are received on a grant basis from federal, state and local sources. Under this method funds are received as needed or on a monthly or quarterly allocation of the total budget (grant) in advance of the actual expenditure. The Organization also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Organization also receives funds by contributions from both public and private sources.

Grants and contracts received for the period April 1, 2017 to March 31, 2018 are as follows:

<u>Funding Source</u>	<u>Revenue Recognized</u>
Federal	
Department of Health and Human Services (Excludes Interest Earned on Grant Funds)	
Head Start	2,530,170
Louisiana	
Department of Education	246,286

The loss of either of these funding sources could have a negative effect on the Organization. The Head Start program is considered a major program.

The Organization operates the following programs:

Head Start Program - provides comprehensive early childhood development for disadvantaged pre-school children and their families.

USDA - Child and Adult Care Food Program - provides a food service program in coordination with the Head Start Program.

Youth Education - provides funding for various youth education activities.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 3 - GRANTS RECEIVABLE:

Grants receivable at March 31, 2018, consists of reimbursements for expenses incurred under the various grant programs. The following list presents grants receivable by fund at March 31, 2018:

Department of Education	25,286
Department of Health and Human Services	<u>110,170</u>
<u>TOTAL</u>	<u>135,456</u>

Management has determined that the receivable for bad debts is not material. Uncollectible amounts for other promises to give are also expected to be insignificant. Receivables are written off when management deems them not collectible.

NOTE 4 - BOARD OF DIRECTORS' COMPENSATION:

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

NOTE 5 - NON-CASH CONTRIBUTIONS:

The Organization received various non-cash contributions for the Head Start Program during the year from private and public sources. Contributions for occupancy costs and professional services totaled \$636,956, and have been reported as revenues, as these costs meet the criteria for recognition as contributions, and the offsetting expenses have been reported in the financial statements. The Organization also received donated services from volunteers which have not been recognized as revenue in the basic financial statements as these costs do not meet the criteria for recognition as contributions.

Donated services are recognized as contributions in accordance with professional standards (FASB ASC 958-605-25-16), if the services create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and would need to be purchased if they were not donated.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 5 - NON-CASH CONTRIBUTIONS: (Continued)

Donated facilities are recognized as contributions in accordance with professional standards (FASB ASC 958-605-52-24) as the organization receives free use of some facilities.

NOTE 6 - INCOME TAX STATUS:

The Organization, a non-profit corporation, is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

NOTE 7 - ACCRUED LEAVE:

Management has determined that the liability for accrued leave, if any, is not material.

NOTE 8 - NONCOMPLIANCE FINDINGS AND QUESTIONED COSTS:

The Organization receives funding/grants from various government agencies and such funding is subject to certain requirements and conditions. The items listed in the schedule of findings and questioned costs will be reviewed by the appropriate funding agency and a final resolution of the questioned costs will be made by such agency.

NOTE 9 - RETIREMENT:

The Organization does not maintain a retirement plan outside of social security for its employees.

NOTE 10 - FINANCIAL STATEMENT PRESENTATION:

Accounting standards require the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. They also require recognition of contributions, including contributed services meeting certain criteria, at fair values. Standards have been established for general purpose external financial statements of not-for-profit organizations, and a statement of financial position, a statement of activities, and a statement of cash flows are required.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 10 - FINANCIAL STATEMENT PRESENTATION: (Continued)

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the organization to expend part or all of the income derived from the donated assets.

NOTE 11 - LEASES:

The Organization has an annual lease with Smith & Smith, Limited, effective February 2, 2002 that calls for payments in the amount of \$700 per month for the use of facilities and is renewable annually. The Organization also has an annual lease with the St. John's Community Enrichment Center, effective April 1, 2009, that calls for payments in the amount of \$700 per month for use of office space, and is renewable annually. The Organization also has an annual lease with the Oak Grove Recreation Department that calls for payments in the amount of \$700 per month for use of facilities and is renewable annually.

On August 25, 2016, the Organization entered into a new lease agreement with the Morehouse Parish School Board. The lease is for a term of ten years and requires an annual payment of \$100. The lease may be renewed only upon approval of the Morehouse Parish School Board.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 11 - LEASES: (Continued)

Future minimum lease payments to Morehouse Parish School Board:

<u>Year Ended March 31</u>	<u>Amount</u>
2018	100
2019	100
2020	100
2021	100
2022	100

The Organization has an agreement with Ross Bus and Equipment to lease 3 buses. The lease is for a one year period beginning on July 1, 2016, and is renewable annually. The lease calls for monthly payments in the amount of \$95 per school day.

Future minimum lease payments for Ross Buss and Equipment:

<u>Year Ended March 31</u>	<u>Amount</u>
2018	2,850

NOTE 12 - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through August 31, 2018, the date the report was available for issue, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE 13 - UNCERTAIN TAX POSITIONS:

The Organization is subject to examination by various taxing authorities, including federal income tax examinations. Management has reviewed the Organization's activities and

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2018

NOTE 13 - UNCERTAIN TAX POSITIONS: (Continued)

believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements. The tax returns for the years 2017, 2016, 2015, 2014, and 2013 are open for examination by various taxing authorities.

NOTE 14 - BUDGET POLICY:

Budgets for the various programs are prepared by the Organization's Executive Director and approved by grantor of the funds for each respective program. Budgets versus actual expenditures are presented in the supplementary data for each grant period ending during the year ended March 31, 2018.

NOTE 15 - FUND-RAISING:

During the year, the Organization participated in a Bingo fund-raiser. The details of the fund-raising activities are as follows:

Gross Fund-Raising Revenue	101,902
Less: Cost of Direct Benefit to Participant	<u>91,889</u>
<u>Net Profit</u>	<u>10,013</u>

Other fund-raising expenses were not material.

SUPPLEMENTARY FINANCIAL INFORMATION

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
 FOR THE PERIODS ENDED DURING FISCAL YEAR MARCH 31, 2018

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	Budgeted Over (Under) Actual <u>Expenditures</u>
<u>HEAD START</u>			
4/01/17 to 3/31/18			
Personnel	1,503,733	1,456,978	( 46,755)
Fringe Benefits	393,365	429,273	35,908
Travel	2,500	2,207	( 293)
Contractual	191,882	78,204	(113,678)
Operating Supplies	78,356	39,761	( 38,595)
Other Costs	360,334	437,387	77,053
Capital Outlay	-	86,360	86,360
In-Kind Contributions	<u>632,543</u>	<u>632,543</u>	<u>-</u>
 <u>TOTALS</u>	 <u>3,162,713</u>	 <u>3,162,713</u>	 <u>-0-</u>

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO  
 AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
 FOR THE PERIOD ENDED DURING FISCAL YEAR MARCH 31, 2018

AGENCY HEAD NAME/TITLE: ETHEL ROBINSON, EXECUTIVE DIRECTOR

<u>Purpose</u>	<u>Amount Paid with State Funds</u>
Salary	-0-
Benefits-insurance	-0-
Benefits-retirement	-0-
Benefits-other (describe)	-0-
Benefits-other (describe)	-0-
Benefits-other (describe)	-0-
Car allowance	-0-
Vehicle provided by government (enter amount reported on W-2)	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration Fees	-0-
Conference travel	-0-
Housing	-0-
Unvouchered expenses (example: travel advances, etc.)	-0-
Special meals	-0-
Other - Training	-0-

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED MARCH 31, 2018

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements/ Expenditures</u>
Department of Agriculture State of Louisiana/ Department of Education Child Care Food Program FYE March 31, 2018	10.558	N/A	168,870
Department of Health and Human Services * Head Start	93.600	O6CH10111-02-1	<u>2,530,170</u>
<u>Total Expenditures of Federal Awards</u>			<u>2,699,040</u>

\* Major Federal Program

See accompanying Notes to Schedule of Expenditures of Federal Awards

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended March 31, 2018

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Morehouse Community Improvement Organization, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Morehouse Community Improvement Organization, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Morehouse Community Improvement Organization, Inc.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Morehouse Community Improvement Organization, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Morehouse Community Improvement Organization, Inc. did not provide federal awards to subrecipients.

COMPLIANCE REPORTS

# JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.

ROWLAND H. PERRY, CPA, APC  
CHARLES L. JOHNSON, JR., CPA  
VIOLET M. ROUSSEL, CPA, APC  
JAY CUTHBERT, CPA, APAC

PAM BATTAGLIA, CPA  
DAWN WHITSTINE, CPA  
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- Accounting & Auditing
  - HUD Audits
  - Non-Profit Organizations
  - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
  - Individual & Partnership
  - Corporate & Fiduciary
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## 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

Board of Directors  
Morehouse Community Improvement Organization, Inc.  
Bastrop, 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 Morehouse Community Improvement Organization, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 31, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morehouse Community Improvement Organization, 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 Morehouse Community Improvement Organization, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morehouse Community Improvement Organization, Inc.'s financial statements are free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

### **Morehouse Community Improvement Organization, Inc.'s Response to Findings**

Morehouse Community Improvement Organization, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Morehouse Community Improvement Organization, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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 result 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.

*Johnson Perry Roussel & Cuthbert, LLP*

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS  
August 31, 2018

# JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.

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

Board of Directors  
Morehouse Community Improvement Organization, Inc.  
Bastrop, Louisiana

### **Report on Compliance for Each Major Federal Program**

We have audited Morehouse Community Improvement Organization, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Morehouse Community Improvement Organization, Inc.'s major federal programs for the year ended March 31, 2018. Morehouse Community Improvement Organization, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Morehouse Community Improvement Organization, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we

plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morehouse Community Improvement Organization, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Morehouse Community Improvement Organization, Inc.'s compliance.

#### **Basis for Modified Opinion on the Head Start Program**

As described in the accompanying schedule of findings and questioned costs, Morehouse Community Improvement Organization, Inc. did not comply with requirements regarding CFDA 93.600 Head Start Program as described in finding number 2018-001 for equipment and real property maintenance. Compliance with such requirements is necessary, in our opinion, for Morehouse Community Improvement Organization, Inc. to comply with requirements applicable to that program.

#### **Modified Opinion on the Head Start Program**

In our opinion, except for the non-compliance described in the "Basis for Modified Opinion on the Head Start Program" paragraph, Morehouse Community Improvement Organization, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Head Start Program for the year ended March 31, 2018.

#### **Other Matters**

Morehouse Community Improvement Organization, Inc.'s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the corrective action plan. Morehouse Community Improvement Organization, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

#### **Report on Internal Control over Compliance**

Management of Morehouse Community Improvement Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Morehouse Community Improvement Organization, Inc.'s internal control

over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morehouse Community Improvement Organization, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Johnson Perry Roussel & Cuthbert, LLP*

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS  
August 31, 2018

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Morehouse Community Improvement Organization, Inc. were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Morehouse Community Improvement Organization, Inc.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Morehouse Community Improvement Organization, Inc. expresses a modified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were: Department of Health and Human Services - Head Start, CFDA No. 93.600.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Morehouse Community Improvement Organization, Inc. was not determined to be a low-risk auditee.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

There were no financial statement findings or questioned costs for the year ended March 31, 2018.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2018

SECTION III - FINDINGS - FEDERAL AWARD PROGRAMS

2018-001

Criteria: The Organization must keep an accurate listing of all of its property and equipment.

Condition: The Organization's fixed asset listing schedule has not been updated for numerous old pieces of property and equipment that the Organization no longer has in its possession.

Questioned Cost: None

Context: Federal compliance requirements over equipment and real property maintenance.

Effect: There was no material effect on the financial statements.

Cause: Numerous pieces of equipment and property were not removed from the Organization's fixed asset listing when the Organization changed locations.

Recommendation: The Organization should update its fixed asset listing schedule and remove all old equipment and property that is no longer in its possession.

Response: Management agrees with this finding and will remove all old equipment and property that has been disposed of from the Organization's fixed asset listing schedule.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
P.O. BOX 1154  
BASTROP, LOUISIANA 71221

CORRECTIVE ACTION PLAN - CURRENT YEAR

August 31, 2018

To: The Oversight Agency for Audit  
Health and Human Services Department

Morehouse Community Improvement Organization, Inc. submits the following corrective action plan for the year ended March 31, 2018.

Independent Public Accounting Firm: Johnson, Perry, Roussel & Cuthbert, LLP, 3007 Armand Street, Monroe, LA 71201.

Findings from the March 31, 2018 schedule of findings and questioned costs are discussed below:

**FINDINGS - FINANCIAL STATEMENT FINDINGS**

Material Weakness

2018-001 The Organization's fixed asset listing schedule has not been updated for numerous old pieces of property and equipment that the Organization no longer has in its possession.

*Recommendation:* The Organization should update its fixed asset listing schedule and remove all old equipment and property that is no longer in its possession.

*Action Taken:* Management is working on updating the fixed asset listing by removing all old equipment and property disposed of or abandoned when it changed locations.

**FINDINGS - FEDERAL AWARDS PROGRAMS**  
Not Applicable

Please contact Ethel Robinson with any questions regarding this plan at 318-281-7922.

Sincerely,



Executive Director  
Morehouse Community Improvement Organization, Inc.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS  
MARCH 31, 2018

2017-001

Finding: We noted that the Organization has a deficit in its  
Unrestricted Net Assets - Operations.

Status: Cleared