

**FAMILY SERVICE OF GREATER BATON ROUGE
FINANCIAL STATEMENTS AS OF AND FOR
THE YEARS ENDED DECEMBER 31, 2017 AND 2016
AND INDEPENDENT AUDITORS' REPORT**

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GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Family Service of Greater Baton Rouge (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and change in net assets, 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 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 the financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service of Greater Baton Rouge as of December 31, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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*, and schedule of compensation, benefits, and other payments to agency head or chief executive officer, are presented for purposes of additional analysis and are 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 audits of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of Family Service of Greater Baton Rouge'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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Service of Greater Baton Rouge's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Grant & Assink, LLC". The signature is written in a cursive, stylized font.

June 28, 2018
Mandeville, Louisiana

FAMILY SERVICE OF GREATER BATON ROUGE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,333	\$ 86,363
Grants receivable	205,171	176,749
Other receivables	18,782	56,232
Prepaid expenses	100	100
Loans receivable, net	-	-
	259,386	319,444
PROPERTY AND EQUIPMENT		
Building and improvements	1,122,253	1,122,253
Equipment	257,867	257,867
	1,380,120	1,380,120
Less accumulated depreciation	(918,104)	(883,248)
	462,016	496,872
Land	126,527	126,527
Total property and equipment, net	588,543	623,399
TOTAL ASSETS	\$ 847,929	\$ 942,843
LIABILITIES AND NET ASSETS/(DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 81,933	\$ 181,909
Outstanding checks in excess of bank balance	20,074	-
Other accrued liabilities	148,180	135,564
Note payable	-	-
Deferred revenue	61,480	57,500
Current portion of accrued pension liability	390,196	320,000
Total current liabilities	701,863	694,973
NON-CURRENT LIABILITIES		
Accrued pension liability	339,000	264,655
Total long-term liabilities	339,000	264,655
TOTAL LIABILITIES	1,040,863	959,628
NET ASSETS/(DEFICIT)		
Unrestricted		
Undesignated	(213,635)	(37,486)
Designated	20,701	20,701
Total net assets/(deficit)	(192,934)	(16,785)
TOTAL LIABILITIES AND NET ASSETS/(DEFICIT)	\$ 847,929	\$ 942,843

See accompanying independent auditor's report and notes to financial statements.

**FAMILY SERVICE OF GREATER BATON ROUGE
STATEMENTS OF ACTIVITES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
REVENUES, GAINS AND OTHER SUPPORT		
Government grants and contracts	\$ 1,219,701	\$ 1,237,230
Program services	106,518	112,358
Donations and private grants	100,052	181,096
United Way allocation	-	-
United Way designations	142,000	190,000
Workshops	25,148	15,465
Forgiveness of debt	-	189,143
Miscellaneous	43,908	38,301
	1,637,327	1,963,593
EXPENSES		
Program services	1,378,685	1,375,827
Fundraising	39,509	14,492
Supporting services	249,773	307,804
	1,667,967	1,698,123
Change in Net Assets Before Non-Operating Revenues/(Expenses)	(30,640)	265,470
Non-Operating Revenues/(Expenses)		
Pension related changes other than net periodic pension costs	(145,509)	(53,509)
	\$ (176,149)	\$ 211,961

See accompanying independent auditor's report and notes to financial statements.

**FAMILY SERVICE OF GREATER BATON ROUGE
STATEMENTS OF CHANGES IN NET ASSETS/(DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Unrestricted		
	Undesignated	Designated	Total
NET ASSETS/(DEFICIT), January 1, 2016	\$ (249,447)	\$ 20,701	\$ (228,746)
CHANGES IN NET ASSETS	211,961	-	211,961
NET ASSETS/(DEFICIT), December 31, 2016	(37,486)	20,701	(16,785)
CHANGES IN NET ASSETS	(176,149)	-	(176,149)
NET ASSETS/(DEFICIT), December 31, 2017	\$ (213,635)	\$ 20,701	\$ (192,934)

See accompanying independent auditor's report and notes to financial statements.

**FAMILY SERVICE OF GREATER BATON ROUGE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services					Fund Raising	Supporting Services	Total
	Counseling Program	Parenting Center	HIV Center	Family Loan Program	Total Program Services		General and Administrative	
Salaries and Related Expenses								
Salaries	\$ 106,818	\$ 224,453	\$ 599,631	\$ -	\$ 930,902	\$ -	\$ 116,233	\$ 1,047,135
Payroll taxes	7,345	15,582	44,320	-	67,247	-	8,289	75,536
Employee fringe benefits	(2,537)	4,529	(3,799)	-	(1,807)	-	(2,553)	(4,360)
	111,626	244,564	640,152	-	996,342	-	121,969	1,118,311
General Expenses								
Accounting services	-	-	-	-	-	-	-	-
Advertising	-	-	193	-	193	765	-	958
Bad debts	-	-	-	-	-	-	-	-
Bank service charges	150	-	27	-	177	-	3,368	3,545
Conducting meetings	2,024	531	1,704	-	4,259	-	3,113	7,372
Depreciation	-	-	-	-	-	-	34,856	34,856
Insurance	9,986	13,163	22,935	-	46,084	33	(3,943)	42,174
Interest and penalties	-	-	-	-	-	-	2,083	2,083
Janitorial and maintenance	-	-	-	-	-	-	200	200
Lease	(397)	(524)	(887)	-	(1,808)	-	396	(1,412)
Meals and entertainment	-	-	-	-	-	-	-	-
Membership dues	-	225	-	-	225	-	1,580	1,805
Miscellaneous	-	-	127	-	127	34,364	1,589	36,080
Postage and shipping	-	-	-	-	-	921	392	1,313
Printing and publications	28	-	1,596	-	1,624	1,777	88	3,489
Professional services	96,901	17,885	12,731	-	127,517	-	40,412	167,929
Rent and facility costs	2,293	1,956	6,175	-	10,424	-	2,927	13,351
Repairs and maintenance	7,541	7,762	15,433	-	30,736	-	35,623	66,359
Specific assistance	6,428	9,574	55,459	-	71,461	-	851	72,312
Supplies	2,156	260	21,787	-	24,203	1,518	754	26,475
Telephone	3,031	3,723	4,654	-	11,408	-	2,319	13,727
Travel	2,210	26,244	13,882	-	42,336	131	197	42,664
Utilities	2,697	3,555	7,125	-	13,377	-	999	14,376
	135,048	84,354	162,941	-	382,343	39,509	127,804	549,656
	\$ 246,674	\$ 328,918	\$ 803,093	\$ -	\$ 1,378,685	\$ 39,509	\$ 249,773	\$ 1,667,967

See accompanying independent auditor's report and notes to financial statements.

**FAMILY SERVICE OF GREATER BATON ROUGE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services				Fund Raising	Supporting Services	Total
	Counseling Program	Parenting Center	HIV Center	Family Loan Program		Total Program Services	
Salaries and Related Expenses							
Salaries	\$ 101,291	\$ 265,755	\$ 527,901	\$ -	\$ 894,947	\$ -	\$ 1,018,842
Payroll taxes	7,535	19,507	40,487	-	67,529	-	77,090
Employee fringe benefits	9,652	18,527	21,423	-	49,602	-	59,252
	118,478	303,789	589,811	-	1,012,078	-	1,155,184
General Expenses							
Accounting services	-	-	-	-	-	-	-
Advertising	-	-	140	-	140	1,000	1,140
Bad debts	-	-	-	-	-	-	-
Bank service charges	-	-	-	-	-	-	4,434
Conducting meetings	70	1,046	726	-	1,842	-	5,004
Depreciation	-	-	-	-	-	-	35,356
Insurance	9,262	12,287	22,588	-	44,137	-	52,432
Interest and penalties	-	-	-	-	-	-	9,658
Janitorial and maintenance	-	-	-	-	-	-	-
Lease	912	1,203	2,043	787	4,945	-	1,361
Meals and entertainment	-	-	-	-	-	-	-
Membership dues	-	350	150	-	500	-	500
Miscellaneous	291	350	4,700	-	5,341	12,545	18,669
Postage and shipping	-	71	42	-	113	784	1,424
Printing and publications	-	59	1,076	-	1,135	41	1,692
Professional services	101,156	15,820	13,637	-	130,613	-	180,313
Rent and facility costs	-	-	-	-	-	-	-
Repairs and maintenance	7,374	1,854	8,476	-	17,704	100	39,510
Specific assistance	14,883	13,184	57,584	-	85,651	-	108,579
Supplies	795	1,023	8,288	-	10,106	-	2,424
Telephone	1,404	4,922	8,407	-	14,733	-	15,651
Travel	360	21,120	11,108	-	32,588	22	32,712
Utilities	4,730	3,156	6,315	-	14,201	-	2,828
	141,237	76,445	145,280	787	363,749	14,492	542,939
	\$ 259,715	\$ 380,234	\$ 735,091	\$ 787	\$ 1,375,827	\$ 14,492	\$ 1,698,123

See accompanying independent auditor's report and notes to financial statements.

FAMILY SERVICE OF GREATER BATON ROUGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (176,149)	\$ 211,961
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	34,856	35,356
Bad debt expense	-	-
Changes in operating assets and liabilities:		
Receivables	9,028	(23,671)
Prepaid expenses	-	(100)
Accounts payable	(99,976)	20,030
Accrued pension liability	144,541	53,509
Other accrued liabilities	12,616	(233,843)
Deferred revenue	3,980	(4,313)
	(71,104)	58,929
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer of investments	-	-
Purchase of property and equipment	-	-
Net change in loans receivable	-	11,330
	-	11,330
CASH FLOWS FROM FINANCING ACTIVITIES		
Outstanding checks in excess of bank balance	20,074	-
Principal payments on long-term debt	-	(20,334)
	20,074	(20,334)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(51,030)	49,925
CASH AND CASH EQUIVALENTS - Beginning of year	86,363	36,438
CASH AND CASH EQUIVALENTS - End of year	\$ 35,333	\$ 86,363

See accompanying independent auditor's report and notes to financial statements.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE A – NATURE OF OPERATIONS

The mission of Family Service of Greater Baton Rouge (the “Agency”) is to counsel and strengthen individuals and families, improving their quality of life. The Agency, which was incorporated in 1955, has been a United Way agency since 1959, and an affiliate member of Alliance for Children and Families, an international not-for-profit organization since 1962. The Agency has various funding sources which include United Way, state and local grants, service fees and contributions. The Agency offers a wide range of services:

- The Child & Family Counseling Center – provides clinical services to children, individuals, and families who need help in finding solutions to a wide range of emotional, behavioral, and relationship problems.
- The Parenting Center – promotes healthy family development by providing ongoing workshops, consultations, and classes to help parents increase their knowledge, skills, and decision making in the important role of effective parenting.
- The HIV Center – help clients access services, resources, and programs that enhance health and wellbeing. Services include HIV testing, HIV Peer Prevention, case management, support groups, counseling, health/treatment education, transportation, childcare, and financial assistance toward rent, mortgage payments, utilities, medication, and eye and dental care.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when they are earned, and expenses are recognized when they are incurred.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Basis of Presentation

The Agency reports information regarding its financial positions and activities according to three classes of net assets:

- Unrestricted – net assets whose use by the Agency is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.
- Temporarily restricted – net assets whose use by the Agency has been limited by donors (a) to later periods of time or other specific dates, or (b) for specified purposes.
- Permanently restricted – net assets received with donor-imposed restrictions permanently limiting the Agency’s use of the asset. As of December 31, 2017 and 2016, the Agency had no permanently or temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Management’s estimates include, but are not limited to, collectability of receivables and the accrued pension liability. Management’s estimates are derived from and are continually evaluated based upon available information, judgment, and experience. Because of inherent uncertainties in estimating collectability of loans receivable and future pension obligations, it is at least reasonably possible that the estimates used will change within the near term.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Receivables

Receivables consist of amounts due from granting agencies for services performed and short-term receivables arising from providing counseling services.

Receivables are presented at face value, net of the allowance for doubtful accounts. Management determines the allowance for doubtful accounts based upon prior experience and its assessment of the collectability of specific accounts. The allowance for doubtful accounts is established through provisions charged to bad debt expense on current economic conditions. Uncollectible receivables are charged off when management determines that all reasonable collection efforts have been exhausted.

As of December 31, 2017 and 2016, all receivables were considered to be fully collectible by management; therefore, no allowance for doubtful accounts had been established for those amounts.

Contributions

Contributions received, including conditional promises to give, are measure at their fair value and recorded as increases in net assets. In the absence of donor restrictions, donated assets are reported as unrestricted assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no contributions received or unconditional promises to give for the years ended December 31, 2017 and 2016.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, which range as follows:

- Building and improvements 5-45 years
- Equipment 3-10 years

Expenditures for major additions of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Accrued Pension Liability

The Agency accounts for its defined benefit pension plan in accordance with FASB-ASC 715, *Compensation-Retirement Benefits*, which requires employers to recognize the funded status of a benefit plan in the statements of financial position and recognize changes in the funded status through the statements of activities and changes in net assets.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on records and estimates made by the Agency's management.

Restrictions on Net Assets

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received with restrictions that are met during the year received are included in the financial statements as unrestricted contributions.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Contributed Services

Donations of services that create or enhance physical assets and essential services that are donated by persons with specialized skills are measured at their fair value and reported as increases in unrestricted net assets during the period provided. No contributed services were recorded in the statements of activities and changes in net assets for the years ended December 31, 2017 and 2016.

Income Taxes

The Agency is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an entity other than a private foundation within the meaning of Section 509(a). Accordingly, no provision has been made for income taxes.

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Agency was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors. Generally, tax returns may be examined for three years from the filing date, and the current and prior three years remain subject to examination as of December 31, 2017.

NOTE C – GOING CONCERN

Family Service of Greater Baton Rouge has experienced substantial losses over the past several years resulting from decreased grant revenue, reductions in contracts, bad debt expense related to the Ways to Work program, and increased liability with the Defined Benefit Pension Plan. The Agency was able to control expenses, and increase revenue. For the year ended December 31, 2016, the Agency recognized net income, before non-operating revenues and expenses of \$265,470 as compared to a net operating loss of \$16,975 for the year ended December 31, 2015.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE C – GOING CONCERN, (continued)

Management of the Agency developed and is continuing to monitor its plan to reduce expenses through cost cutting measures, increase grant writing, and implementation of new fundraising efforts as well as negotiate new terms with vendors. The Agency executed the agreement with Ways to Work to decrease the current liability by launching a repossession and remarketing plan in an effort to decrease the current liability and recognized “forgiveness of debt” income of \$189,143. The ability of the Agency to continue as a going concern is dependent on the continued acceptance of the plan by the Agency’s vendors, changes to its defined benefit plan, obtaining new revenue sources, and success of the plan in general. The financial statements do not include any adjustments that might be necessary if the Agency is unable to continue as a going concern.

NOTE D – RECEIVABLES

Receivables are composed of the following:

	<u>2017</u>	<u>2016</u>
Grants		
Title I Coordination	\$ 169,419	\$ 117,839
Title IV Women and Children Grant	21,254	18,423
Tulane MHC/QRS Program	28,900	31,220
OPH Contract	<u>11,589</u>	<u>9,267</u>
	<u>\$ 231,162</u>	<u>\$ 176,749</u>
Other		
Counseling	<u>\$ 58,171</u>	<u>\$ 56,232</u>

**FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 126,527	\$ 126,527
Building and improvements	1,122,253	1,122,253
Equipment	<u>257,867</u>	<u>257,867</u>
	1,506,647	1,506,647
Accumulated depreciation	<u>(918,104)</u>	<u>(883,248)</u>
Property and equipment, net	<u>\$ 588,543</u>	<u>\$ 623,399</u>

NOTE F – NOTE PAYABLE

The Agency had an unsecured note payable to Ways to Work, Inc. for the purpose of supporting the Family Loan Program. The note had no interest and was due on demand. During 2016, the Agency executed the agreement with Ways to Work to decrease the current liability by launching a repossession and remarketing plan in an effort to decrease the current liability and recognized “forgiveness of debt” income of \$189,143.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE G – PENSION PLAN (DEFINED BENEFIT)

The Agency has a defined benefit pension plan which covers substantially all of its employees who meet eligibility requirements. Benefits under the plan are generally based on the employee’s compensation during the highest five consecutive calendar years’ salary during the last ten completed calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The Agency follows FASB ASC 715-60, *Defined Benefit Plans – Other Postretirement*, which requires that the funded status of defined benefit pension plans be fully recognized in the Statements of Financial Position as an asset (overfunded plans) or as a liability (for underfunded plans).

Effective December 31, 2008, the defined benefit plan was frozen, with no new participants added.

Pension expense for the defined benefit plan for each of the years ended December 31, 2017 and 2016 was \$0.

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the Statements of Financial Position for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Changes in Benefit Obligations		
Benefit obligations at beginning of year	\$ 985,517	\$ 1,002,643
Service cost	12,184	8,755
Interest cost	31,948	30,592
Change due to assumption changes	-	-
Actuarial (gain) loss	(35,503)	(25,027)
Benefits paid	(29,392)	(22,691)
Expense charges	<u>(12,184)</u>	<u>(8,755)</u>
Benefit obligations at end of year	\$ 1,023,576	\$ 985,517

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE G – PENSION PLAN (DEFINED BENEFIT), (continued)

	<u>2017</u>	<u>2016</u>
Changes in Plan Assets		
Fair value of plan assets at beginning of year	\$ 400,862	\$ 471,497
Actual return on plan assets	(64,906)	(39,189)
Benefits and expenses paid	<u>(41,576)</u>	<u>(31,446)</u>
Fair value of plan assets at end of year	294,380	400,862
Accrued pension liability	729,196	584,655
Current portion	<u>(390,196)</u>	<u>(320,000)</u>
Accrued pension liability, non-current portion	<u>\$ 339,000</u>	<u>\$ 264,655</u>

The weighted average assumptions used to determine benefit obligations and net benefit costs for the years ended December 31, were as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.94%	3.75%
Post-retirement interest rate	5.50%	5.50%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	0.00%	0.00%
Social Security wage base increase	0.00%	0.00%

The Expected Long-Term Rate of Return on Plan Assets assumption of 7.0% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. Based on the investment policy for the pension plan as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation and investment expenses) and for inflation based on historical return or the applicable asset classes. An average inflation rate within the range equal to 3.25% was selected and added to the real rate of return range to arrive a best estimate range of 6.18% to 8.12%. A rate within the best estimate range of 7.0% was selected.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE G – PENSION PLAN (DEFINED BENEFIT), (continued)

The components of net periodic benefit costs for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Service cost	\$ 12,184	\$ 8,755
Interest cost	31,948	30,592
Expected return on plan assets	(14,411)	(21,254)
Amount of recognized actuarial gains	<u>11,805</u>	<u>9,345</u>
Net periodic benefit costs	<u>\$ 41,526</u>	<u>\$ 27,348</u>

Expected Future Benefit Payments

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

2018	\$ 390,196
2019	40,000
2020	48,000
2021	27,000
2022	22,000
2023 to 2027	202,000

Plan Assets by Category

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
Equity	\$197,235	67.00%	\$224,483	56.00%
Mutual funds	91,258	31.00%	152,328	38.00%
General account	<u>5,888</u>	2.00%	<u>24,052</u>	6.00%
	<u>\$294,381</u>		<u>\$400,862</u>	

All investments are categorized Level 1 which are based on quoted prices (unadjusted) in active markets which are accessible at the measurement date.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE G – PENSION PLAN (DEFINED BENEFIT), (continued)

The Agency's investment strategy is a long-term investment mix of equity mutual fund investments and cash equivalents. Investment mix is managed to maximize returns on plan assets.

For all plan assets, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE H – PENSION PLAN (DEFINED CONTRIBUTION)

The Agency has a defined contribution plan subject to Section 403(b) of the Internal Revenue Code. The plan covers substantially all of its employees who meet eligibility requirements. Contributions to the plan are based on 25% of the first 6% of the amount of the salary reduction of each employee. The Agency also made a 3% safe-harbor contribution for all eligible employees. In February 2013, the safe-harbor contribution was discontinued.

NOTE I – ECONOMIC DEPENDENCY

The Agency receives a majority of its revenue from Federal grants passed through programs administered by the State of Louisiana. The program amounts are appropriated each year by the Federal and State governments and the United Way Agency. If significant budget cuts are enacted at the Federal and/or State level, the amount of the fund the Agency receives could be reduced significantly and have an adverse impact on its operations.

NOTE K – CONTINGENCIES (GRANT PROGRAM)

The Agency participates in Federal and State grant programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustments by the grantor agency; therefore, to the extent the Agency has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and Family Service of Greater Baton Rouge.

FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE L – NEW ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board (FASB) issued new guidance under Accounting Standards Update No. 2017-07 that will change how Plan sponsors of defined benefit pension and/or other postretirement benefit plans present the Net Periodic Benefit Cost (NPBC) in the financial income statement for the organization. Specifically, the Plan sponsor will present the service cost component of the NPBC in the same income statement line item(s) as other employee compensation costs arising from services rendered during the measurement period, i.e. the service cost component will be eligible for capitalization in assets, also known as “above the line” entry on the financial income statement. Furthermore, the Plan sponsor will present the other components of the NPBC separately from the line item(s) that includes the service cost and outside of any subtotal of operating income, if applicable. These other than service cost components will not be eligible for capitalization in assets, also known as “below the line” entry on the financial income statement. This new guidance is effective for public companies for fiscal years beginning after December 15, 2017, and fiscal years beginning after December 15, 2018 for all other entities. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. This new guidance does not change the calculation of the NPBC but it changes the way the components of NPBC are required to be reported on the Plan sponsor’s financial statements. The Agency plans to adopt this Guidance as applicable by the effective date.

NOTE M – SUBSEQUENT EVENTS

Family Service of Greater Baton Rouge has evaluated all subsequent events through June 28, 2018, the date the financial statements were available to be issued. As a result, the Agency noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

SUPPLEMENTARY INFORMATION

**FAMILY SERVICE OF GREATER BATON ROUGE
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2017**

Agency Head Name: Rene Taylor, Executive Director

Salary	\$85,207
Benefits – insurance	-
Benefits – retirement	1,800
Car allowance	-
Vehicle provided by entity	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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
Family Service of Greater Baton Rouge
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 Family Service of Greater Baton Rouge (a non-profit organization), which comprise the statements of financial position as December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Family Service of Greater Baton Rouge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Service of Greater Baton Rouge's internal control. Accordingly, we do not express an opinion on the effectiveness of Family Service of Greater Baton Rouge'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 the 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 audits 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 Family Service of Greater Baton Rouge'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 audits, 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 in the accompanying schedule of findings and questioned costs as 2016-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

A handwritten signature in black ink that reads "Gary E. Assink, LLC". The signature is written in a cursive, flowing style.

June 28, 2018
Mandeville, Louisiana

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Family Service of Greater Baton Rouge's compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of Family Service of Greater Baton Rouge's major federal programs for the year ended December 31, 2017. Family Service of Greater Baton Rouge's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Service of Greater Baton Rouge'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 Family Service of Greater Baton Rouge'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 Family Service of Greater Baton Rouge's compliance.

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 Family Service of Greater Baton Rouge's compliance.

Opinion on the Major Federal Program

In our opinion, Family Service of Greater Baton Rouge complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Family Service of Greater Baton Rouge is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Service of Greater Baton Rouge's internal control over compliance with the types of 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 Family Service of Greater Baton Rouge'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 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.

A handwritten signature in black ink that reads "Harty & Assink, LLC". The signature is written in a cursive, flowing style.

June 28, 2018
Mandeville, Louisiana

FAMILY SERVICE OF GREATER BATON ROUGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Service:		
Pass-through programs from:		
Louisiana Department of Health and Hospitals		
HIV Care Formula Grants	93.917	\$ 149,375
Ryan White Part A HIV Emergency Relief Grant Program	93.914	616,716
Our Lady of the Lake Hospital, Inc.		
Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Ryan White Program Part D Women, Infants, Children and Youth WICY Program)	93.153	97,955
Tulane University: Tulane Education Fund		
Child Care and Development Block Grant	93.575	<u>266,369</u>
Total Department of Health and Human Services		<u>1,130,415</u>
U.S. Probation and Pretrial Services of the U.S. District Court for Middle District of Louisiana		
Pass-through programs from:		
U.S. Federal Judiciary		
Mental Health Services	BPA-053N-16-001	<u>89,026</u>
		<u>89,026</u>
Total expenditures of federal awards		<u>\$ 1,219,441</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

**FAMILY SERVICE OF GREATER BATON ROUGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditures of Family Service of Greater Baton Rouge and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – SUBRECIPIENTS

Family Service of Greater Baton Rouge did not pass through any of its federal awards to a subrecipient during the fiscal year 2017.

NOTE 4 – NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the fiscal year 2017.

FAMILY SERVICE OF GREATER BATON ROUGE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Management Letter

Was a management letter issued?	_____ yes	_____ <u>X</u> no
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Federal Awards

Internal control over major programs:		
Material weaknesses(es) identified:	_____ yes	_____ <u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes	_____ <u>X</u> none reported

Type of auditor's report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133:	_____ yes	_____ <u>X</u> no

Identification of major programs:

CFDA <u>Numbers</u> 93.575	<u>Federal Program or Cluster</u> Child Care and Development Block Grant
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Dollar threshold used to distinguish Type A and Type B programs:	\$ <u>750,000</u>
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Auditee qualifies as low-risk auditee:	_____ yes	_____ <u>X</u> no
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See independent auditors' report.

FAMILY SERVICE OF GREATER BATON ROUGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II - Financial Statement Findings

Current Year (December 31, 2017):

Non-Compliance with State Laws and Regulations

No findings related to non-compliance with state laws and regulations, which would be required to be reported in accordance with *Gouvernement Auditing Standards and the Uniform Guidance*, were noted during the audit.

Prior Year (December 31, 2016):

Non-Compliance with State Laws and Regulations

2016-001: Filing of Report with Louisiana Legislative Auditor

Condition: Financial statements were not timely filed with the Louisiana Legislative Auditor.
This was a repeat finding from the prior year.

Criteria: LSA-RS 24:513(5)(a) requires the engagement to be completed within six months of the close of the entity's fiscal year.

Cause: The Agency discovered a potential discrepancy with the transfer of funds from the predecessor brokerage firm to the successor brokerage firm which delayed issuing the actuarial information for ASC Topic 715 as it relates to the Agency's defined benefit plan.

Effect: The Agency's financial statements were not timely filed.

Auditor's Recommendation: The Agency should have all financial statement amounts and disclosure information recorded and obtained prior to the start of the audit to avoid future delays.

Management's Response: The Agency will take appropriate action to ensure timely filing of the financial statements with the Louisiana Legislative Auditor.

FAMILY SERVICE OF GREATER BATON ROUGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section III - Internal Control Findings - Federal Award Findings

Current Year (December 31, 2017):

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards and the Uniform Guidance* , were noted during the audit.

Prior Year (December 31, 2016):

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards and the Uniform Guidance* , were noted during the audit.

See independent auditors' report.

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Family Service of Greater Baton Rouge
and Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Family Service of Greater Baton Rouge (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

1. Determine if there are adequate written policies and procedures for the primary financial/business functions of the entity (budgeting, receipts, purchasing, disbursements, payroll/personnel, contracting, credit cards, travel and expense reimbursements, related parties, debt service and ethics).

Written policies and procedures were reviewed and determined to be adequate for all primary financial/business functions.

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

Board (or Finance Committee, if applicable)

1. Obtain and review the board/committee minutes for the fiscal period, and:
 - A. Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board met on a monthly basis, which is in accordance with the written policy of the entity.

- B. Report whether the minutes referenced or included monthly budget-to-actual comparisons.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

The Board minutes includes reference to budget-to-actual comparisons. There was no deficit spending during the fiscal period.

Bank Reconciliations

1. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

The list of all client bank accounts was obtained, traced to the general ledger and management represented to us that this was a complete list. No exceptions were noted.

2. For each of the bank accounts in the listing provided by management, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- A. Bank reconciliations have been prepared

Reviewed bank reconciliations each month for all bank accounts noting preparation of the reconciliations without exception.

- B. Bank reconciliations include evidence that member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

There was evidence of management review and approval for the bank reconciliations.

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

- C. If applicable, management has documentation reflecting that is has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We reviewed the bank reconciliation of the last month of the fiscal period noting no reconciling items that were outstanding for more than 6 months. Management has represented to us that all reconciling items are current. No exceptions noted.

Collections

1. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

We reviewed the listing and inquired of management as to the completeness of the list. No exceptions noted.

2. Using the listing provided by management, select all of the entity's cash collection locations (if five or less locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). For each cash collection location selected:

- A. Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collection cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account, and (3) not required to share the same cash register or drawer with another employee.

We reviewed the written policies regarding cash collections, noting the entity engaged an outside accounting firm to perform monthly bookkeeping services, noting proper segregation of duties. No exceptions noted.

- B. Obtain existing written documentation (e.g., sequentially numbered receipts, system reports, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency additions, by a person who is not responsible for cash collections in the cash collection location selected.

We reviewed the written policies, and related documentation noting the entity engaged an outside accounting firm to perform monthly bookkeeping services. No exceptions noted.

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

3. Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- C. Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day.

We selected the highest dollar week of cash collections from the general ledger, traced daily deposits from the licensing fee reports to deposit slips and bank statement, noting deposits are made within one day of collection. No exceptions noted.

- D. Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We verified that daily cash collections are completely supported by documentation. No exceptions noted.

4. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source (e.g., periodic confirmation, with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued) by a person who is not responsible for collections.

We reviewed the written policies noting the entity has a process to ensure completeness of all collections for each revenue source. No exceptions noted.

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

1. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-Cards (Cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management has represented to us that the entity has not issued any credit cards, bank debit cards, fuel cards, and/or P-Cards to any board member or staff.

2. Using the listing prepared by management, randomly select ten (10) cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period. Obtain the monthly statements, or combined statements with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- A. Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable – entity did not issue any active credit cards, bank debit cards, fuel cards, or P-Cards to any board member or staff.

- B. Report whether finance charges and/or late fees were assessed on the selected statements.

Not applicable – entity did not issue any active credit cards, bank debit cards, fuel cards, or P-Cards to any board member or staff.

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

3. Using the monthly statements or combined statements selected under #2 above, obtain supporting documentation for all transactions for each of the ten cards selected (i.e., each of the ten cards should have one month of transactions subject to testing).

A. For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Not applicable

- Documentation of the business/public purpose. For meal charges, there should be documentation of the individuals participating.

Not applicable

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable

- B. For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable

- C. For each transaction, compare the entity's documentation of the business/public purpose to the requirement of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable

GARRETY & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

Travel and Expense Reimbursement

1. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

The list of all travel and expense reimbursements was obtained and traced to general ledger without exception. Management represented to us that the list of travel and expense reimbursements is complete.

2. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any rates that exceed the rates established by GSA.

We reviewed the written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by GSA noting no exceptions.

3. Using the listing or general ledger from #1 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail.

- A. Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#2 above) and report each reimbursement that exceeded those rates.

- Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc.) and applicable laws

All expenditures were reimbursed in accordance with written policy.

- For an appropriate and necessary business purpose relative to the travel

All expenditures reimbursed were for appropriate and necessary business purposes.

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- Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
All expenditures were supported by original itemized receipts.
 - Documentation of the business/public purpose (Note: for meal charges, there should also be documentation of the individuals participating)
All expenditures documented the business/public purpose.
 - Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)

For specific conferences attended, certificate of attendance by each person, was included as part of the documentation.

- B. Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Compared documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, noting no exception.

- C. Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Reviewed travel and expense reimbursement and related documentation, noting proper approval of the expense by someone other than the person receiving the reimbursement. No exceptions noted.

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Contracts

1. Obtain a listing of all contracts in effect during the fiscal period or, alternately obtain the accounting records (e.g. general ledgers, accounts payable reports, etc.) and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We obtained a list of all contracts from the entity's management. Management represented to us that the listing is complete.

2. Using the listing above, randomly select the five contract "vendors" that were paid during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner or the Louisiana Legislative Auditor).

A. Obtain the selected contracts and the related paid invoices and:

- Determine if the transaction is subject to the Louisiana Public Bid Law or Procurement Code:
 - If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)

Not applicable.

- If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

Not applicable.

- Determine if the contract was amended. If so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

Not applicable.

- Select the largest payment from each of the five largest contracts selected above and determine if the invoices(s) received and payment complied with the terms and conditions of the contract.

Not applicable.

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- Determine if there is documentation of Board approval, if required.

Not applicable.

Payroll and Personnel

1. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

A list of employment contracts/salaries in force during the period was obtained and traced to the general ledger without exception.

Randomly select the five employees, obtain their personnel files and:

- Determine if payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract or pay rate structure.

No exceptions noted.

- Determine if changes made to hourly pay rates/salaries during period under examination were approved in writing and in accordance with policy.

No exceptions noted.

2. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- Report if all selected employees are documented their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to ear leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract., the official should document his/her daily attendance and leave.)

No exceptions noted.

- Report if supervisors are approving, in writing, the attendance and leave of all employees.

No exceptions noted.

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- Report whether there is written documentation that the entity maintained accurate written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials.

No exceptions noted.

3. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the payments were supported by adequate documentation, made in strict accordance with policy and/or contract, and approved by management.

Not applicable.

4. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We reviewed the payroll deposits made by the entity noting timely deposits were made. We reviewed the quarterly, and annual payroll returns noting these were filed to applicable agencies by the required deadlines. The entity has a defined contribution plan, which was discontinued during 2013. The entity has a defined benefit plan, which was frozen during 2008. The entity records an accrued liability for the required funding of the plan.

Disbursements –General

1. Obtain a listing of entity disbursement from management or, alternately, obtain the general ledger and sort/filter all for all other entity disbursements that are not addressed in the sections above (credit card/debit card/travel card/P-card, travel and expense reimbursement, contracts, and payroll and personnel). Obtain management's representation that the listing or general ledger population is complete.

Obtained the general ledger for the current fiscal period of disbursements. Management represented to us that the general ledger population was complete. No exceptions noted.

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2. Using the listing or general ledger from #1 above, randomly select twenty-five disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisition, invoices, receipts, receiving slips) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system:

All selected expenditures were supported by a requisition order.

- Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase

All selected expenditures were approved by a supervisor that did not initiate the purchase.

- Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All selected expenditures were supported by original itemized receipts.

- Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Written policies and procedures were reviewed and determined to be adequate relating to addition of vendors in the purchasing/disbursement system.

- Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Reviewed the expense and related documentation, noting proper approval of the expense by someone other than the person initiating and/or recording the purchases. No exceptions noted.

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- Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Inquired of management and observed that the unused checks are in a locked cabinet are properly restricted. No exceptions noted.

- If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

Not applicable

Ethics

1. Using the five selected employees from “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required annual ethics training was completed.

Not applicable.

2. Obtain a listing of the board members from management. Randomly select five of its board members and report whether the entity maintained documentation to demonstrate that required annual ethics training was completed.

Not applicable.

3. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations, received, and whether the allegations were addressed in accordance with policy.

Management represented to us that there were no alleged ethics violations reported to the entity during the fiscal period.

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Other

1. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management represented that there were no misappropriation of public funds or assets.

2. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1.

Not applicable.

3. If the practitioner observes or otherwise identified any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted regarding management's representations.

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

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



June 28, 2018