

BeauCARE, Inc.
DERIDDER, LOUISIANA

ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2018

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page No.</u>
Independent Auditor's Report	-	1-2
Financial Statements:		
Statement of Financial Position	A	4
Statement of Activities	B	5
Statement of Functional Expenses	C	6
Statement of Cash Flows	D	7
Notes to the Financial Statements		9-14
	<u>Schedule</u>	
Other Supplemental Schedules		
Schedule of Compensation, Benefits and Other Payments to Agency Head	1	16-17
Other Reports		
Schedule of Prior Year Audit Findings	2	19
Schedule of Current Year Audit Findings and Management's Response	3	20-23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	-	24-25
Independent Accountant's Report on Applying Agreed-Upon Procedures	-	26-33

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
BeauCARE, Inc.
DeRidder, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of BeauCARE, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Functional Expenses on page 6 and the Schedule of Compensation, Benefits and Other Payments to Agency Head on pages 16 and 17 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019 on our consideration of BeauCARE, 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 BeauCARE, Inc.'s internal control over financial reporting and compliance.



DeRidder, Louisiana
June 19, 2019

FINANCIAL STATEMENTS

Statement of Financial Position
December 31, 2018

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 22,145
Grants receivable	31,561
Total current assets	\$ 53,706
Noncurrent Assets:	
Capital assets, net	\$ 252,976
Total assets	\$ 306,682

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 9,274
Salaries payable	14,510
Payroll liabilities payable	7,533
Total current liabilities	\$ 31,317
Net Assets:	
Without donor restrictions	\$ 275,365
Total liabilities and net assets	\$ 306,682

The accompanying notes are an integral part of this statement.

Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>			
<u>SUPPORT</u>			
Grants			
Government:			
Federal:			
Department of Agriculture:			
Louisiana Department of Education:			
Child and Adult Care Food Program	\$ -	\$ 66,371	\$ 66,371
Summer Food Service Program	-	30,779	30,779
Department of Health and Human Services:			
Head Start Program	-	484,254	484,254
State:			
Louisiana Children's Trust Fund	-	1,604	1,604
Local:			
City of DeRidder	-	25,000	25,000
City of Leesville	-	12,500	12,500
Total government grants	\$ -	\$ 620,508	\$ 620,508
Private:			
United Way	\$ -	\$ 74,450	\$ 74,450
U.S. Swimming Foundation	-	3,750	3,750
Total private grants	\$ -	\$ 78,200	\$ 78,200
Total grants	\$ -	\$ 698,708	\$ 698,708
Cash contributions	\$ 10,513	\$ -	\$ 10,513
In-kind donations	268,522	-	268,522
Fundraising	13,914	-	13,914
Total support	\$ 292,949	\$ 698,708	\$ 991,657
<u>REVENUE</u>			
Fees for services	\$ 241,413	\$ -	\$ 241,413
Investment income	3,532	-	3,532
Rental	3,620	-	3,620
Sale of assets	1,200	-	1,200
Miscellaneous	18	-	18
Net assets released from restriction	698,708	(698,708)	-
Total revenue	\$ 948,491	\$ (698,708)	\$ 249,783
Total support and revenue	\$ 1,241,440	\$ -	\$ 1,241,440
<u>EXPENSES</u>			
Program services:			
Recreational and educational programs	\$ 1,223,960	\$ -	\$ 1,223,960
Change in net assets	\$ 17,480	\$ -	\$ 17,480
Net assets, beginning of year	257,885	-	257,885
Net assets, end of year	\$ 275,365	\$ -	\$ 275,365

The accompanying notes are an integral part of this statement.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services
Salaries and related benefits	\$ 555,423
Payroll taxes	52,717
Health insurance	30,240
	<hr/>
Total salaries and related expenses	\$ 638,380
	<hr/>
Program supplies	\$ 114,289
Other supplies	8,280
Dues/licenses/permits	482
Travel and conferences	7,110
Postage	725
Advertising	1,194
Insurance	30,539
Interest	1,163
Telephone	4,097
Licenses	1,259
Miscellaneous	3,523
Bank charges	3,371
Legal and professional fees	13,147
Occupancy and maintenance	31,612
Vehicle expense	1,954
Utilities	42,625
Contracted services	9,037
Hiring process	3,653
In-kind expenses	268,522
	<hr/>
Total expenses before depreciation	\$ 1,184,962
	<hr/>
Depreciation	
Purchased assets	\$ 38,998
	<hr/>
Total expenses	\$ 1,223,960
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Cash received for services provided	\$ 241,413
Cash received for support and other revenues	702,690
Cash received from investments	3,532
Cash received from sale of assets	1,200
Cash received from fundraising activities	13,914
Cash payments for program activities	(288,712)
Cash payments to employees for services	(645,392)
Net cash provided by operating activities	<u>\$ 28,645</u>
Cash flows from capital and related investing activities:	
Acquisition and construction of capital assets	<u>\$ (20,294)</u>
Net cash used by capital and related investing activities	<u>\$ (20,294)</u>
Net increase (decrease) in cash and cash investments	
	\$ 8,351
Cash and cash investments, beginning of year	13,794
Cash and cash investments, end of year	<u><u>\$ 22,145</u></u>
Reconciliation of net income from operations to net cash provided by operating activities:	
Net income from operations	\$ 17,480
Adjustments to reconcile net income from operations to net cash provided by operating activities:	
Depreciation	\$ 38,998
Change in assets and liabilities:	
Increase in grants receivable	(10,169)
Decrease in account payable	(10,652)
Decrease in payroll tax payable	(4,306)
Decrease in salaries payable	(2,706)
Net cash provided by operating activities	<u><u>\$ 28,645</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

BeauCARE, Inc.

Notes to the Financial Statements
As of and for the Year Ended December 31, 2018

INTRODUCTION

BeauCARE, Inc. is a Louisiana non-profit corporation. This corporation is organized and it shall be operated exclusively for charitable, religious, and educational purposes, within the meaning of Section 501 (c) (3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, including for purposes, to purchase, acquire, hold, use, manage, alienate or encumber property of any kind, necessary and proper to provide opportunities in personal growth and development through recreational and educational programs for residents of all ages; and the making of distributions to organizations that qualify as exempt organizations under section 501 (c) (3) of the Internal Revenue Code or the corresponding section of any future federal tax code.

The basic programs of BeauCARE, Inc. include recreational programs (i.e. Aqua Aerobics, Incrediball, Youth Recreation Center, Summer Swimming Pool, After School Homework Program, Head Start Program, summer mini-camps, a monitored visitation center and educational programs) for residents of all ages.

The board of directors is made up of ten voting board members. None of the board members are compensated for their service.

BeauCARE, Inc. is located in Beauregard Parish in southwestern Louisiana. BeauCARE, Inc. serves the residents of Beauregard Parish and the surrounding area. BeauCARE, Inc. employs approximately twelve clerical employees and five activity directors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader. The financial statements of BeauCARE, Inc. have been prepared on the accrual basis; therefore certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.

A. Basis of Accounting

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* and Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*, which requires the organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the organization is required to present a statement of cash flows.

B. Income Taxes

The Organization is qualified as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code and is not subject to federal income tax. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within Section 509 (a) of the Code. Tax years that remain open and subject to examination by the IRS are 2015, 2016 and 2017.

C. Support and Revenue

All contributions and revenues received are considered to be available for unrestricted use unless specifically restricted by the donor.

Notes to the Financial Statements (Continued)

D. Fixed Assets

It is the Organization’s policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. 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 as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

E. Depreciation

All capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-40 years
Improvements	5-20 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-10 years
Vehicles	5-10 years

Depreciation expense for the year ended December 31, 2018 amounted to \$38,998.

F. Cash and Cash Equivalents

The Organization considers all short-term debt investments purchased with maturity of three months or less to be cash equivalents. Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts.

G. Long-Term Obligations

In the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of BeauCARE, Inc., which are either unusual in nature or infrequent in occurrence. Subsequent events have been evaluated through June 19, 2019, the date that the financial statements were available to be issued.

I. Estimates

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

Notes to the Financial Statements (Continued)

J. Concentration of Risk

BeauCARE, Inc.’s primary sources of support are from grants awarded by federal and state governments and private grantors. Management is always seeking funding for the upcoming years through renewals of current grants as well as by applying for new grants; however, in the event the Organization is unable to secure additional funding, the financial position of the Organization could be significantly impacted.

K. Recent Financial Accounting Pronouncements

During the year ended December 31, 2018, BeauCARE, Inc. adopted the requirements of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is a change in the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

L. Restrictions on Contributions of Long-lived Assets

BeauCARE, Inc. has not adopted a policy for implying time restrictions on contributions of long-lived assets and contributions of cash and other assets restricted to purchasing them. As of December 31, 2018, BeauCARE, Inc. has had no contributions of long-lived assets or assets that would be used to acquire them.

2. CASH AND CASH EQUIVALENTS

At December 31, 2018, BeauCARE, Inc. has cash and cash equivalents (book balances) totaling \$22,145 as follows:

Demand deposits	\$	11,803
Savings account		9,842
Petty cash		500
Total	\$	<u>22,145</u>

At December 31, 2018, BeauCARE, Inc. has \$21,916 in deposits (collected bank balances). These deposits are secured from risk by \$21,916 of federal deposit insurance.

BeauCARE, Inc.

Notes to the Financial Statements (Continued)

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2018 for BeauCARE, Inc. is as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings	\$ 238,201	\$ -	\$ -	\$ 238,201
Improvements other than buildings	110,963	-	-	110,963
Machinery and equipment	77,409	15,029	-	92,438
Furniture and fixtures	182,213	5,265	-	187,478
Vehicles	99,768	-	3,500	96,268
Total capital assets being depreciated	<u>\$ 708,554</u>	<u>\$ 20,294</u>	<u>\$ 3,500</u>	<u>\$ 725,348</u>
Less accumulated depreciation for:				
Buildings	\$ 84,521	\$ 7,448	\$ -	\$ 91,969
Improvements other than buildings	58,703	5,420	-	64,123
Machinery and equipment	53,109	9,883	-	62,992
Furniture and fixtures	146,336	10,685	-	157,021
Vehicles	94,205	5,562	3,500	96,267
Total accumulated depreciation	<u>\$ 436,874</u>	<u>\$ 38,998</u>	<u>\$ 3,500</u>	<u>\$ 472,372</u>
Total capital assets being depreciated, net	<u>\$ 271,680</u>	<u>\$ (18,704)</u>	<u>\$ -</u>	<u>\$ 252,976</u>

4. DONATED FACILITIES, MATERIALS AND SERVICES

Donated materials, equipment, and use of facilities (if any) are reflected as in-kind donations or fund raising support in the accompanying statements at their estimated values at the date of receipt. Donated services (if any) are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) requires specialized skills, is performed by people with those skills and would otherwise be purchased

by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

5. ECONOMIC DEPENDENCY

BeauCARE, Inc. receives a substantial portion of its total support from the US Department of Health and Human Services, Head Start Program, Department of Agriculture's Child and Adult Care Food Program, Summer Food Service Program, United Way, City of DeRidder and City of Leesville. During the period ended December 31, 2018, BeauCARE, Inc. received \$693,354 in grant and program support from these departments, which represents 56% of total support and revenue.

Notes to the Financial Statements (Continued)

6. RECEIVABLES

The following is a summary of receivables for December 31, 2018:

<u>Class of Receivable</u>		
Grants:		
Child and Adult Care Food Program	\$	12,307
Headstart Program		15,971
Children's Trust Fund		543
United Way		2,740
Total	<u>\$</u>	<u>31,561</u>

7. ACCOUNTS AND OTHER PAYABLES

The following is a summary of payables at December 31, 2018:

<u>Class of Payable</u>		
Accounts	\$	9,274
Salaries		14,510
Payroll liabilities		7,533
Total	<u>\$</u>	<u>31,317</u>

8. NET ASSETS

As required by ASU 2016-14, net assets have been reclassified into two categories: without donor restrictions and with donor restrictions. The classification is as follows:

Without donor restrictions	\$	275,365
With donor restrictions		-
Total Net Assets	<u>\$</u>	<u>275,365</u>

9. LITIGATION AND CLAIMS

At December 31, 2018, BeauCARE, Inc., had no litigation or claims pending.

10. IN-KIND DONATIONS

The Head Start program administered by BeauCARE, Inc. is housed in a building owned by the Beauregard Parish School Board. The School Board has made an in-kind donation of the rental of the building to BeauCARE, Inc. A local realtor had given BeauCARE, Inc. a statement that the fair rental value of the building is \$21,064 per month. Other amounts in in-kind donations include donations made by other individuals.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

BeauCARE, Inc. maintains operating revenue for general expenditures. The current financial assets totaled \$22,145 at December 31, 2018 and are available for general expenditures; that is, without donor or other restrictions limiting their use.

As part of BeauCARE, Inc.'s liquidity management, it primarily maintains its current assets in cash and cash equivalent.

12. SUBSEQUENT EVENTS

Subsequent to year end, grant funding from United Way for their fiscal year of July 1, 2019 to June 30, 2020 was denied due to the late filing of the application for funding by BeauCARE, Inc. During the current year grant funding from United Way amounted to \$74,450. A loss of this amount of funds could severely impact the operations of the organization. Management has secured other grant sources and is currently applying for other grants that would cover the loss of the United Way grant funds.

13. CONTINGENCIES

During the year BeauCARE, Inc. received an IRS notice charging a penalty in the amount of \$52,178 for failure to file W-2s for the year of 2014. Subsequent to the year 2014 the W-2s were filed although they were filed late. BeauCARE, Inc. has a CPA that has corresponded throughout the year with the IRS in order to have the penalty waived due to circumstances during the 2014 fiscal year. At this time, the IRS has corresponded with BeauCARE, Inc. and is still processing the information that was furnished to them. BeauCARE, Inc.'s CPA believes that the penalty will ultimately be abated. If the penalty is not abated it would be a substantial burden on the organization.

14. GOING CONCERN

Due to the loss of grant funding from United Way and the potential IRS penalty both described above, BeauCARE, Inc. would not be able to meet their financial obligations for the coming year. Management has secured additional grant funds that would cover approximately half of the loss of United Way funding and is applying for other grants that would make up for the rest of the loss. Also, in regards to the IRS penalty, the CPA for BeauCARE, Inc. has been corresponding with the IRS and believes that the penalty will eventually be abated due to the circumstances presented to the IRS.

OTHER SUPPLEMENTAL SCHEDULES

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended December 31, 2018

Agency Head Name - Annette Duplechin (January 1, 2018 - November 10, 2018)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 39,362
Benefits - insurance	-
Benefits - retirement	-
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	1,631
Registration fees	231
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

Schedule of Compensation, Benefits and
Other Payments to Agency Head
For the Year Ended December 31, 2018

Agency Head Name - Sherry Wisby (November 5, 2018 - December 3, 2018)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 3,635
Benefits - insurance	-
Benefits - retirement	-
Deferred compensation	-
Benefits - other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-

OTHER REPORTS

Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2018

There were no prior year audit findings as of December 31, 2017.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ending December 31, 2018

Finding – Financial Statement Audit

Audit Finding No. 2018-1

Payroll tax returns filed and paid late

Condition:	Payroll tax returns were filed late and payroll tax deposits were paid late resulting in approximately \$3,000 of penalties during the year.
Criteria:	Payroll tax returns and payroll tax deposits have specific due dates that must be adhered to according to IRS regulations.
Cause and Condition:	The prior bookkeeper responsible for filing the payroll tax returns and making the payroll tax deposits would consistently file the returns and make the payments late.
Effect of Condition:	Violation of IRS regulations and undue financial burden of penalties on the organization.
Recommendation:	We recommend that payroll tax returns be filed by the due date and that payroll tax deposits be timely made in order to comply with IRS regulations and avoid unnecessary penalties. Also we recommend that the executive director monitor the filing of these returns and the payment of the taxes. We also recommend that BeauCARE, Inc. prepare letters to send to the IRS explaining why the payroll returns were filed and paid late and ask the IRS for a refund of the penalties paid.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ending December 31, 2018

Finding – Financial Statement Audit

Audit Finding No. 2018-2

Missing credit card statements and other supporting documentation

Condition:	Several supporting documents for purchases were missing and not available for review. Also several credit card statements could not be located by the organization.
Criteria:	According to record retention rules established by the Office of the Legislative Auditor, all purchases including credit card statements should be supported by documentation and be readily available during the audit.
Cause and Condition:	The administration including the bookkeeper, executive director, and several board members are new and were not here during the year under audit. While most supporting documents requested were eventually located, there were several that could not be found along with some of the credit card statements.
Effect of Condition:	Violation of record retention rules according to the Office of the Legislative Auditor. Not having support for all purchases as requested by the auditor.
Recommendation:	We recommend that all purchase as well as credit card statements have supporting documentation attached at time of purchase or when the charge is made. This documentation should be monitored by the executive director and the board and be readily available when asked for by the auditor.

Schedule of Current Year Audit Findings and Management's Response
For the Year Ending December 31, 2018

Finding – Financial Statement Audit

Audit Finding No. 2018-3

Reimbursements for Federal grant funds being requested twice

Condition:	BeauCARE, Inc. participates in the Federal grant programs of Head Start and Child and Adult Care Fund Programs (CACFP). Both of these programs are reimbursable programs where BeauCARE, Inc. pays the expenses and sends invoices to the grantor for reimbursement. On several occasions the same invoice was sent to both Federal grantors and reimbursement was received twice for the same invoice.
Criteria:	Federal program guidelines are specific as to what cost are allowed by their Federal programs. Expenses to be reimbursed can only be requested from one grantor that the expense applies to.
Cause and Condition:	This occurred during the previous administration and it is not known why the same expenses were requested twice from both Federal grantors.
Effect of Condition:	Possible violation of Federal grant program guidelines. BeauCARE, Inc. has been paid twice for the same expense.
Recommendation:	The new bookkeeper had discovered this when she started and now is only requesting expense reimbursement one time from the Federal grantor. We recommend that BeauCARE, Inc. review all prior requests for reimbursement for both Federal programs to determine how many invoices were reimbursed twice for the same expense. Also both Federal grantors should be notified of the mistake and inquire of what actions should be taken to rectify the situation.

BeauCARE, Inc.
 628 High School Drive
 PO Box 1779
 DeRidder, LA 70634
 Ph: 337.462.2273 / Fax: 337.462.2268
www.beaucares.org



June 27, 2019

Mr. Daryl G. Purpera, CPA, CFE
 Louisiana Legislative Auditor
 1600 North Third Street
 P.O. Box 94397
 Baton Rouge, LA 70804-9397

Audit Finding No. 2018-1

Payroll tax returns filed and paid late

Effective January 15, 2019 BeauCARE enlisted the services of Charles Scarborough, CPA in which he will oversee all payroll and payroll taxes to ensure timely payments and filings.

Audit Finding No. 2018-2

Missing credit card statements and other supporting documentation

Effective June 24, 2019 BeauCARE is reinstating the credit card policy as written that all credit card statements and receipts are reconciled by the Executive Director and then reconciled in the computer by the Finance Manager and filed together in one location.

Audit Finding No. 2018-3

Reimbursements for Federal grant funds being requested twice

Effective January 1, 2019 The Finance Manager ensures that reimbursements are only requested once from the appropriate Federal programs and will now audit prior requests to determine how many invoices have been paid twice and then contact both Federal programs to determine the corrective steps to be taken.

Sincerely,

Truett Brown
 Executive Director

Board of Directors

Tiffany Johnson – President ▪ Heath Hairgrove – Vice-President
 Stephen Hickman - Treasurer ▪ Shakira Sanders-Fleming - Secretary
 Scott Bradshaw ▪ Kristy Fields

Team Members

Truett Brown, Executive Director
 Rene' Coody, Head Start Director



"Assisting children, families, and communities in connecting to programs and resources that will improve their quality of life."



Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
BeauCARE, Inc.
DeRidder, 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 BeauCARE, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BeauCARE, 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 BeauCARE, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of current year audit findings and management's response, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of current year audit findings and management's response to be material weaknesses. Audit Finding No. 2018-3.

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. We consider the deficiencies described in the accompanying schedule of current year audit findings and management's response to be significant deficiencies. Audit Finding Nos. 2018-1 and 2018-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BeauCARE, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of current year audit findings and management's response as items Audit Finding Nos. 2018-1, 2018-2 and 2018-3.

BeauCARE, Inc.'s Response to Findings

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

Purpose of this Report

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



DeRidder, Louisiana
June 19, 2019

Windham & Reed, L.L.C.

Certified Public Accountants

1620 North Pine Street
DeRidder, LA 70634
Tel: (337) 462-3211
Fax: (337) 462-0640

John A. Windham, CPA
Charles M. Reed, Jr., CPA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
BeauCARE, Inc.
DeRidder, Louisiana

We have performed the procedures enumerated below, which were agreed to by BeauCARE, Inc. (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures – Not Applicable

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board or Finance Committee

2. Obtain and inspect the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

Obtained board minutes and other documents listed above.

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The board meets with a quorum on a monthly basis.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes referenced financial activity relating to public funds during the fiscal year.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained all bank accounts for the fiscal year and management's representation that the listing is complete.

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

Bank reconciliations were not prepared within two months of the related statement closing.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Management does not have documentation that outstanding items more than twelve months old have been researched.

Collections

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

Three deposit sites located at the BeauCARE, Inc. office, City of DeRidder pool, and the City of Leesville pool.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select on collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Employees at the City of DeRidder and City of Leesville pools responsible for cash collections do share cash drawers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

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

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

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

Employees who have access to cash are not bonded.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

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

Sequentially pre-numbered receipts are not used.

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

System reports and other related collection documentation were traced to the deposit slip.

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

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Deposits greater than \$100 were not made daily.

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

No exceptions noted.

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

- 8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Only one location that processes payments.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

The person initiating a purchase request can also approve the purchase and make the purchase.

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

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The person responsible for processing payments can also add or modify vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The person responsible for processing payments can also mail the payment.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Obtained the entity's non-payroll disbursements and management's representation that the listing is correct.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

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

No exceptions noted.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

Obtained a listing of all active credit cards and management's response that the listing is correct.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

There were instances where the statement and supporting documentation were missing. Other statements observed that there was evidence that the monthly statements were reviewed and approved in writing by someone other than the authorized card holder.

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

Finance charges and late fees were assessed.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were instances where the statement and supporting documentation were missing.

Travel and Travel-Related Expense Reimbursements (excluding card transactions) – Not Applicable

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursement, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by and original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts – Not Applicable

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contact terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel – Not Applicable

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics – Not Applicable

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics compliance documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

Debt Service – Not Applicable

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Other – Not Applicable

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

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

Windham & Reed CPA, L.L.C.
DeRidder, Louisiana
June 19, 2019