

People Centered Support Services, Inc.
Annual Financial Statements
As of June 30, 2012 and for the Year Then Ended

People Centered Support Services, Inc.
Annual Financial Statements
As of and for the Year Ended June 30, 2012
With Supplemental Information Schedules

CONTENTS

| | Statement | Page |
|---|-----------|------|
| Independent Auditors' Report | | 1 |
| Balance Sheet | A | 2 |
| Statement of Income and Retained Earnings | B | 3 |
| Statement of Cash Flows | C | 5 |
| Notes to the Financial Statements | | 6 |

OTHER SUPPLEMENTARY DATA

| | Schedule | Page |
|---|----------|------|
| Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 11 |
| Schedule of Findings and Questioned Costs | 1 | 13 |
| Summary of Prior Year Findings | 2 | 15 |
| Corrective Action Plan | | 16 |

EDWARDS, WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA / Society of CPA's

Independent Auditor's Report

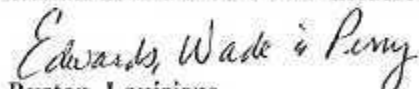
Board of Directors of
People Centered Support Services, Inc.
Ruston, Louisiana 71270

We have audited to balance sheet of People Centered Support Services, Inc., an S corporation, as of June 30, 2012, and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of People Centered Support Services, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of People Centered Support Services, Inc., as of June 30, 2012, and the results of its operation and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of People Centered Support Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Ruston, Louisiana
November 16, 2012

People Centered Support Services, Inc.
Balance Sheet
As of June 30, 2012

ASSETS

| | |
|--|-------------------------|
| Current assets: | |
| Cash and cash investments | \$2,198 |
| Accounts receivables-trade | 202,155 |
| Total current assets | <u>204,353</u> |
| Non-current assets: | |
| Due from related party | 440,574 |
| Other assets | 2,315 |
| Capital assets (net of accumulated depreciation) | 242,038 |
| Total Non-current assets | <u>684,927</u> |
| TOTAL ASSETS | <u><u>\$889,280</u></u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | |
|---|-------------------------|
| Current Liabilities: | |
| Accounts, salaries, and other payables | \$33,548 |
| Accrued liabilities | 168,136 |
| Current portion of loan and note payable | 15,000 |
| Total current liabilities | <u>216,684</u> |
| Noncurrent liabilities | |
| Loans payable | 106,374 |
| Total noncurrent liabilities | <u>106,374</u> |
| Total liabilities | <u>323,058</u> |
| Stockholder's Equity | |
| Common stock, no par value, 5,000 shares authorized, 100 shares issued and outstanding in 2012 | 5,000 |
| Capital - Shareholder | 663,263 |
| Distributions | (122,785) |
| Net income | 20,744 |
| Total Stockholder's Equity | <u>566,222</u> |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | <u><u>\$889,280</u></u> |

The accompanying notes are an integral part of this statement.

People Centered Support Services, Inc.
Statement of Income and Retained Earnings
For the Year Ended June 30, 2012

| | |
|--------------------------------|------------------|
| REVENUES | |
| Follow along | \$14,000 |
| Mobile crew | 80,714 |
| Vocational | 12,289 |
| Medicaid | 2,478,876 |
| Personal care attendant - OCDD | 27,788 |
| Self-generated income | 153,259 |
| Other revenues | 5,178 |
| TOTAL REVENUES | <u>2,772,104</u> |
| EXPENSES | |
| Advertising | 2,138 |
| Licenses and permits | 1,816 |
| Auto expenses | 59,250 |
| Postage | 1,080 |
| Professional services | 9,908 |
| Telephone | 18,464 |
| Rent | 16,320 |
| Travel & Entertainment | 67,553 |
| Miscellaneous expense | 41,865 |
| Repairs and maintenance | 25,421 |
| Supplies | 75,892 |
| Utilities | 12,434 |
| Taxes - other | 8,243 |
| Accrued payroll | (36,791) |
| Consumer wages | 46,651 |
| Consumer supplies | 51,740 |
| Consultants | 300 |
| Depreciation | 22,694 |
| Salaries & wages | 1,954,506 |
| Payroll taxes | 179,436 |
| Postretirement expenses | 1,705 |
| Bad debt expense | 80,156 |
| Insurance | 161,964 |
| Management fee allocation | (44,084) |
| TOTAL EXPENSES | <u>2,758,661</u> |

(Continued)

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

People Centered Support Services, Inc.
Statement of Income and Retained Earnings
For the year ended June 30, 2012

| | |
|--------------------------------------|------------------|
| Operating Income | \$13,443 |
| NON-OPERATING INCOME (Expense) | |
| Interest expense | (4,437) |
| Rent income | 3,375 |
| Interest income | 8,364 |
| TOTAL NON-OPERATING INCOME (Expense) | <u>7,302</u> |
| NET INCOME | 20,745 |
| Retained earnings, beginning | 663,262 |
| Distributions, current year | <u>(122,785)</u> |
| Retained earnings, ending | <u>\$561,222</u> |

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

People Centered Support Services, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2012

| | |
|--|------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers and users | \$2,853,867 |
| Receipts from related party | 80,156 |
| Payments to suppliers | (819,826) |
| Payments to employees | (1,954,506) |
| Payments to related party | <u>(102,437)</u> |
| Net Cash Provided by Operating Activities | <u>57,254</u> |
| Cash Flows from Noncapital Financing Activities | |
| Current year distribution to shareholder | <u>(122,785)</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(122,785)</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Purchase of assets | (11,696) |
| Increase in loan payable | 66,025 |
| Principal paid on capital debt | (14,483) |
| Interest paid on capital debt | <u>(4,437)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>35,409</u> |
| Cash Flows from Investing Activities | |
| Rent income | 3,375 |
| Interest income | <u>8,364</u> |
| Net Cash Provided by Investing Activities | <u>11,739</u> |
| Net Increase in Cash and equivalents | (18,383) |
| Cash and equivalents, Beginning of Year | <u>20,581</u> |
| Cash and equivalents, End of Year | <u><u>\$2,198</u></u> |
| Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities | |
| Operating income | \$13,443 |
| Depreciation expense | 22,694 |
| (Increase) decrease in accounts receivable | 78,663 |
| (Increase) decrease in due from related party | (22,281) |
| (Increase) decrease in other assets | 3,099 |
| Increase (decrease) in accounts payable | (9,489) |
| Increase (decrease) in accrued liabilities | <u>(28,875)</u> |
| Net Cash Provided by Operating Activities | <u><u>\$57,254</u></u> |
| Reconciliation of total cash and cash investments: | |
| Current assets - cash and cash investments | <u>\$2,198</u> |
| Total cash and cash investments | <u><u>\$2,198</u></u> |

The accompanying notes are an integral part of this statement.

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2012

INTRODUCTION

People Centered Support Services, Inc.'s (an S corporation) primary business activity is to provide services by qualified staff to the targeted or waiver population to assist them in gaining access to the full range of needed services including medical, social, emotional, and other support services. The Company has one location in Ruston, Louisiana. The Company is a corporation which incorporated on March 17, 1999.

Method of Accounting

The books and records are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash with an initial maturity of three months or less.

Receivables

The Company uses the direct writeoff method of recognizing bad debts. Management considered all accounts receivable at June 30, 2012 to be fully collectible, therefore no allowance for doubtful accounts was recorded. Although the direct write-off method is not in accordance with generally accepted accounting principles (GAAP), it approximates GAAP if all material doubtful accounts have been written off and the Company does not anticipate a significant increase in bad debts.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the, straight-line method over the estimated useful lives with respect to major classes of depreciable assets as follows:

| | | |
|-------------------------|--------|-------|
| Furniture and equipment | 3 - 10 | years |
| Vehicle | 5 | years |
| Building | 27 ½ | years |

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2012, the Company has cash and cash equivalents (book balances) totaling \$2,198 as follows:

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2012

| | |
|-----------------|-----------------------|
| Demand deposits | \$2,198 |
| Time deposits | <u>0</u> |
| Total | <u><u>\$2,198</u></u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2012, the Company has \$19,204 in deposits (collected bank balances). These deposits are secured from risk by \$19,204 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3).

3. PROPERTY AND EQUIPMENT

The following is a schedule of additions and deletions for the year ended June 30, 2012:

| | <u>Balance</u> <u>6/30/11</u> | <u>Adjustment</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/12</u> |
|-------------------------------|----------------------------------|-------------------|--------------------------|-------------------|----------------------------------|
| Equipment | \$66,540 | | \$8,496 | | \$75,036 |
| Vehicle | 152,657 | | 3,200 | | 155,857 |
| Building | 254,000 | | | | 254,000 |
| Less accumulated depreciation | <u>(220,161)</u> | | <u>(22,694)</u> | | <u>(242,855)</u> |
| Total | <u><u>\$253,036</u></u> | <u><u>\$0</u></u> | <u><u>(\$10,998)</u></u> | <u><u>\$0</u></u> | <u><u>\$242,038</u></u> |

4. COMPENSATED ABSENCES

Sick leave is earned by full-time employees at the rate of 1.85 hours per pay period. Sick leave may be accrued but when the balance is greater than 48 hours, the Company buys back to excess hours. Personal leave is earned by full-time employees at the rate of 3.08 hours per pay period or 4.62 hours per pay period after 5 years of employment. Personal leave may be accrued but when the balance is greater than 80 hours or 120 hours after 5 years of employment, the Company buys back to excess hours.

Accrued compensated absences consist of unpaid sick leave and personal leave as follows:

| | |
|----------------|------------------------|
| Sick leave | \$19,585 |
| Personal leave | <u>31,954</u> |
| Total | <u><u>\$51,539</u></u> |

5. LEASES

For the year ended June 30, 2012, the Company did not have any capital leases.

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2012

6. PROGRAMS

The organization's principal programs and primary funding sources are:

Adult Habilitation - this program's income is derived from the Louisiana Department of Health and Hospitals. These funds are used to train clients in vocational and pre-vocational activities and supportive services.

Vocational Rehabilitation - this program's income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program provides vocational training support to clients placed in jobs within the community.

Supported Work Contracts - this program's income is derived from services by clients which include janitorial and other contracts.

Supported/Independent Living - this program's income is derived from the Louisiana Department of Health and Hospitals. This program helps the individual clients become more independent by providing support and training in their residences within the community.

Personal Care Attendant - this program's income is derived from the Louisiana Department of Health and Hospitals. This program provides support and training for individuals in satisfying their own personal needs.

7. RELATED PARTY TRANSACTIONS

The related parties consist of one company with common ownership and one non-profit company whose executive director is the Company's 100% stockholder. The following is a summary of the due from related party transactions for the year ended June 30, 2012:

| | |
|----------------------------|------------------|
| Balance, June 30, 2011 | \$418,293 |
| Management fee allocation | 44,084 |
| Loans from related parties | 49,988 |
| Bad debt recognized | (80,156) |
| Imputed interest @ 2% | 8,365 |
| Balance, June 30, 2012 | <u>\$440,574</u> |

8. STOCKHOLDERS' EQUITY

| | Common Stock | Distributions to date | Retained Earnings | Total Stockholders' Equity |
|---------------|-----------------|--------------------------|----------------------|----------------------------------|
| July 1, 2011 | \$5,000 | (\$1,486,791) | \$2,150,054 | \$668,263 |
| Distributions | | (122,785) | | (122,785) |
| Net Income | | | 20,744 | 20,744 |
| June 30, 2012 | <u>\$5,000</u> | <u>(\$1,609,576)</u> | <u>\$2,170,798</u> | <u>\$566,222</u> |

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2012

9. SCHEDULE OF REVENUE

| | <u>State</u> | <u>Fees for Services</u> | <u>Total</u> |
|----------------------|----------------|------------------------------|--------------------|
| Adult services | \$6,892 | \$733,370 | \$740,262 |
| Residential services | | 45,357 | 45,357 |
| Personal Care | | <u>1,986,485</u> | <u>1,986,485</u> |
| Total | <u>\$6,892</u> | <u>\$2,765,212</u> | <u>\$2,772,104</u> |

10. RISK MANAGEMENT

The Company is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Company maintains commercial insurance policies covering its vehicles, professional liability and surety bond coverage. No claims were paid on any of the policies which exceeded to policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2012.

11. DATE OF MANAGEMENT REVIEW

The Company has evaluated subsequent events through November 16, 2012, the date which the financial statements were available to be issued. Management is not aware of any significant subsequent event as of this date.

REQUIRED SUPPLEMENTAL INFORMATION

EDWARDS, WADE & PERRY

Certified Public Accountants

A Professional Accounting Corporation

Members: AICPA / Society of LCPA's

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

Board of Directors of
People Centered Support Services, Inc.
Ruston, Louisiana

We have audited the financial statements of People Centered Support Services, Inc., as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered People Centered Support Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of People Centered Support Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the People Centered Support Services, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 findings and responses to be a material weakness. 2012-1 and 2012-3.

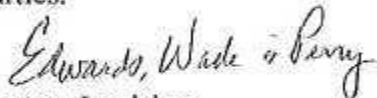
A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be a significant deficiency. 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether People Centered Support Services, 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 statements 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

People Centered Support Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit People Centered Support Services, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ruston, Louisiana
November 16, 2012

People Centered Support Services, Inc.
 Schedule of Findings and Responses
 For the Year Ended June 30, 2012

We have audited the financial statements of People Centered Support Services, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of People Centered Support Services, Inc. resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiency Yes No

Compliance

Compliance Material to Financial Statements Yes No

2. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Yes No

Type of Opinion On Compliance Unqualified Qualified
 For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No

Was a management letter issued? Yes No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? Yes No

B. Financial Statements Findings

2012-1. Accounting staff

The Company does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in preparing its financial statements, including the related notes. Several material adjustments had to be made to the financial statements. This is a repeat finding.

Recommendation: We recommend the Company implement a formal review process where monthly reconciliations, reports, and processes are authorized, approved and reviewed to ensure accuracy and improve internal controls. We do not recommend that it would be cost effective for the Company to hire additional personnel to resolve this problem.

2012-2. Lack of segregation of duties

Due to limited personnel, the Company does not have an adequate segregation of duties regarding its accounting and reporting system to maintain a complete system of internal control. This is a repeat finding.

Recommendation: We do not recommend that it would be cost effective for the Company to hire additional personnel to resolve this problem. We recommend the Company implement a formal review process where monthly reconciliations, reports, and processes are authorized, approved and reviewed to ensure accuracy and improve internal controls.

2012-3. Inadequate internal controls

During fieldwork testing, it was determined that the overall internal control regarding completeness for the Company is inadequate. Thirteen (13) voided checks could not be located. One hundred sixteen (116) duplicate checks could not be located for examination or explained. Seventeen (17) missing checks could not be located for examination or explained.

Recommendation: We recommend the Company establish internal controls for maintaining complete supporting documentation.

C. Federal Award Findings and Questioned Costs

None

People Centered Support Services, Inc.
Summary of Prior Year Findings
For the Year Ended June 30, 2012

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

2011-1. Accounting staff

Conclusion: Unresolved - see 2012-1

2011-2. Lack of segregation of duties

Conclusion: Unresolved - see 2012-2

2011-3. Payroll tax forms filed and paid late

Conclusion: Resolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

PEOPLE CENTERED SUPPORT SERVICES, INC.
1201 ATKINS ROAD
RUSTON, LA 71270
(318)255-9105

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2012

People Centered Support Services, Inc. hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

- 2012-1. The Company agrees with the recommendations and intends to implement them immediately.
- 2012-2. The Company agrees with the recommendations and intends to implement them immediately. The Company will establish procedures to implement a review process to improve internal controls.
- 2012-3. The Company agrees with the recommendation and will implement policies and procedures for maintaining complete supporting documentation