

CANE RIVER CHILDREN'S SERVICES, INC.

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

Cane River Children's Services, Inc.
Annual Financial Report
June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cane River Children's Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cane River Children's Services, Inc. as of June 30, 2020, 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 of the Cane River Children's Services, Inc. taken as a whole. Act 706 of the Louisiana 2014 Legislative Session requires a Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, reflected on page 19, to supplement the financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of *Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented on page 20 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records, used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Information from the preceding year is reported in certain financial statements within this report. The information was taken from our report dated December 17, 2019, in which we expressed an unmodified opinion on the Cane River Children's Services, Inc.'s statement of financial position.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of Cane River Children's 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* in considering Cane River Children's Services, Inc.'s internal control over financial reporting and compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

November 12, 2020

FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Statement of Financial Position
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets-		
Current Assets:		
Cash & Cash Equivalents	\$ 34,631	\$ 9,108
Revenue Receivables	<u>132,382</u>	<u>155,599</u>
Total Current Assets	<u>\$ 167,013</u>	<u>\$ 164,707</u>
Noncurrent Assets:		
Prepaid Expenses	\$ 23,772	\$ 21,694
Long-term receivables	97,710	128,962
Restricted Cash	15,935	2,419
Property and Equipment, Net of Accumulated Depreciation	<u>1,298,534</u>	<u>1,323,696</u>
Total Noncurrent Assets	<u>\$1,435,951</u>	<u>\$1,476,771</u>
Total Assets	<u>\$1,602,964</u>	<u>\$1,641,478</u>
Liabilities-		
Current Liabilities:		
Cash Overdrafts	\$ 0	\$ 23,060
Accounts Payable	8,970	8,097
Accrued Payroll & Payroll Liabilities	34,031	32,439
Current Portion of Long-Term Debt	<u>68,292</u>	<u>114,365</u>
Total Current Liabilities	<u>\$ 111,293</u>	<u>\$ 177,961</u>
Noncurrent Liabilities:		
Residents' Deposits	\$ 15,935	\$ 2,419
Long-Term Debt	<u>663,217</u>	<u>719,564</u>
Total Noncurrent Liabilities	<u>\$ 679,152</u>	<u>\$ 721,983</u>
Total Liabilities	\$ 790,445	\$ 899,944
Net Assets-		
Without Donor Restrictions	<u>812,519</u>	<u>741,534</u>
Total Liabilities & Net Assets	<u>\$1,602,964</u>	<u>\$1,641,478</u>

See independent auditors' report and notes to the financial statements.

Cane River Children's Services, Inc.
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>Without Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
Revenues-		
Governmental Grants and Contract Income	\$1,051,739	\$ 971,197
Donations	46,920	28,396
Interest and Dividend Income	19,846	4,964
Other	<u>6,360</u>	<u>66</u>
Total Unrestricted Revenues	<u>\$1,124,865</u>	<u>\$1,004,623</u>
Expenses-		
Program Services:		
Non-Medical Group Home	\$ 600,483	\$ 610,167
Child Placing	209,565	248,989
Community Counseling	227,467	211,798
Supportive Services:		
Administrative & General	<u>16,365</u>	<u>22,758</u>
Total Expenses	<u>\$1,053,880</u>	<u>\$1,093,712</u>
Change in Net Assets	\$ 70,985	\$ (89,089)
Net Assets-Beginning of Year	<u>741,534</u>	<u>830,623</u>
Net Assets-End of Year	<u>\$ 812,519</u>	<u>\$ 741,534</u>

See independent auditors' report and notes to the financial statements.

Cane River Children's Services, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	Program Services				Supporting Services	Total 2020 Expenses	Comparative Total 2019 Expenses
	Non-Medical Group Home	Child Placing	Community Counseling	Total Program Services	Management and General		
EXPENSES:							
Salaries & Payroll Taxes	\$390,941	\$123,123	\$151,269	\$ 665,333	\$ 1,059	\$ 666,392	\$ 679,725
Employee Benefits	11,686	6,349	4,773	22,808	292	23,100	29,492
Advertising	144	9	68	221	0	221	236
Bad Debt Expense	10,026	6,613	27,118	43,757	0	43,757	69,054
Computer Software	3,469	0	3,880	7,349	0	7,349	2,062
Dietary	32,652	2,513	0	35,165	0	35,165	42,185
Household Supplies	7,098	481	231	7,810	2,099	9,909	7,757
Insurance	20,104	15,621	8,926	44,651	0	44,651	44,433
Interest and Penalties	23,678	11,288	4,691	39,657	381	40,038	37,061
Licenses and Dues	1,411	0	689	2,100	120	2,220	10,064
Medical & Nursing	174	0	0	174	0	174	79
Office Supplies	1,516	55	205	1,776	634	2,410	2,826
Personnel Expenses	424	13	83	520	165	685	2,376
Postage & Printing	547	0	0	547	702	1,249	813
Professional Services	1,752	0	4,000	5,752	6,500	12,252	13,217
Repairs & Maintenance	9,168	13,110	2,891	25,169	39	25,208	15,508
Recreational	55	0	0	55	1,901	1,956	3,627
Resident Expenses	4,575	0	0	4,575	1,729	6,304	4,085
Telephone	7,892	6,118	4,120	18,130	0	18,130	16,406
Therapy Expenses	1,346	0	4,476	5,822	744	6,566	2,243
Training & Travel	1,270	0	460	1,730	0	1,730	1,244
Utilities	25,756	5,743	3,575	35,074	0	35,074	42,909
Vehicle Expenses	778	2,782	23	3,583	0	3,583	7,862
Depreciation	40,440	15,028	4,414	59,882	0	59,882	57,078
Other	3,581	719	1,575	5,875	0	5,875	1,370
Total Expenses	<u>\$600,483</u>	<u>\$209,565</u>	<u>\$227,467</u>	<u>\$1,037,515</u>	<u>\$16,365</u>	<u>\$1,053,880</u>	<u>\$1,093,712</u>

See independent auditors' report and notes to the financial statements.

Cane River Children's Services, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from program service operations	\$1,112,568	\$ 919,770
Cash received from contributions	46,920	28,396
Cash payments for salaries, benefits and payroll taxes	(689,492)	(709,217)
Cash payments to vendors	(290,603)	(261,823)
Interest and dividends received	<u>19,846</u>	<u>4,964</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>199,239</u>	\$ <u>(17,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ <u>(34,720)</u>	\$ <u>(31,511)</u>
Net Cash Used by Investing Activities	\$ <u>(34,720)</u>	\$ <u>(31,511)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	\$ 192,000	\$ 286,339
Principal payments on loans	<u>(294,420)</u>	<u>(257,444)</u>
Net Cash Provided (Used) by Financing Activities	\$ <u>(102,420)</u>	\$ <u>28,895</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	\$ 62,099	\$ (20,526)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>(11,533)</u>	<u>8,993</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u><u>50,566</u></u>	<u><u>(11,533)</u></u>

Reconciliation of Cash, Cash Equivalents and Restricted Cash:

Cash & Cash Equivalents	\$34,631
Restricted Cash	<u>15,935</u>
Net Cash at End of Year	<u><u>\$50,566</u></u>

SUPPLEMENTAL DISCLOSURE

Cash payments for interest during the years ended June 30, 2020 and 2019 totaled \$40,038 and \$37,061, respectively.

See independent auditors' report and notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

Introduction

Cane River Children's Services, Inc. ("Agency") was incorporated as a non-profit corporation on May 18, 1978, under the laws of the State of Louisiana. The Agency maintains and operates residential group homes for undomiciled and troubled youth, provides support for transitional living for boys and girls as placed by the State of Louisiana, and provides therapeutic foster care and counseling, as authorized by its charter. The agency operates under a ten-member Board of Directors. Revenues are derived primarily from the Title IV-E Foster Care Program passed through the State of Louisiana, Department of Social Services, as well as Crime Victim Assistance grants, Medicaid, and contributions from the general public.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of Cane River Children's Services, Inc., conform to generally accepted accounting principles as applicable to non-profit organizations, and are applied on a consistent basis between periods.

The following is a summary of certain significant accounting policies and practices:

A. Financial Statement Presentation - Effective July 1, 2018, the Agency has adopted FASB Financial Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under FASB ASU 2016-14, the Agency is required to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency's management and the board of directors. The revenues received and expenses incurred in conducting the mission of the Agency are included in this category. The Agency has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Agency; therefore, the Agency's policy is to record these net assets as without donor restrictions.
- Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

As of June 30, 2020 and 2019, all net assets were without donor restrictions.

B. Basis of Accounting - The Agency uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (continued):

- C. 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 amount of assets and liabilities and disclosures 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.
- D. Capital Assets - Capital assets purchased with unrestricted funds are recorded at cost when purchased or at market value at time of donation. Depreciation on all exhaustible fixed assets is charged as an expense against the operations of the Agency. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. Accumulated depreciation was \$1,133,510 at June 30, 2020, and \$1,073,628 at June 30, 2019. In accordance with FASB ASC 958-360-50-3 and 50-4, property and equipment purchased with grant funds are expensed when purchased and not recorded on the statement of financial position because reversionary title is held by the grantor.
- E. Income Taxes - The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as "other than a private foundation". Therefore, no provision for income taxes has been made in the financial statements, but the Agency is required to file an annual information tax return. The Agency's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2017 and beyond remains subject to examination by the IRS, generally for three years after filing.
- F. Unpaid Accumulated Vacation Pay - Employees of the Agency earn one to two days of vacation per month depending upon the number of years of employment, beginning on the seventh month of employment. At the end of each year, employees may carry forward vacation time earned but not taken, up to a maximum of 360 hours. Subject to this limitation, unused vacation pay is paid to employees upon separation at hourly rates being earned. Due to the immateriality of this amount in relation to total agency payrolls, no accrual has been made for accumulated vacation pay.
- G. Cash and Equivalents - For the purpose of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.
- H. Functional Allocation of Expenses - Functional expenses are allocated between program services and supporting services. Supporting services include fundraising and general and administrative activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Agency. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function, which require allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes, and benefits are allocated on the basis of estimates of time and effort.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

1. Summary of Significant Accounting Policies (continued):

I. Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and results of operations. Certain reclassifications from prior year information were made to conform to current year presentation.

J. Advertising Costs - Advertising costs are expensed as incurred, and approximated \$220 and \$236 during the years ended June 30, 2020 and 2019, respectively.

2. Asset Liquidity and Availability of Resources:

The Agency regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Agency considers all expenditures related to its regular, recurring, and ongoing program service activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Agency anticipates revenues to be sufficient to meet its general expenditure needs.

As of June 30, 2020, the following financial assets could be made easily available within one year of the statement of financial position date to meet general expenditures:

Cash, cash equivalents and restricted cash	\$ 50,566
Revenue receivables (current)	<u>132,382</u>
Total financial assets, period end	\$182,948
Less, those unavailable for general expenditures within one year, due to:	
Restricted cash (Residents' deposits)	<u>(15,935)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$167,013</u>

As part of its liquidity management, the Agency has a policy to structure its financial assets to be made available as general expenditures, liabilities, and other obligations become due. This policy includes utilization of resources such as established lines of credit described in Note 7, as well as management of major receivables.

3. Cash and Cash Equivalents:

At June 30, 2020, cash and cash equivalents totaled \$50,566, including \$800 petty cash (book balances). Bank balances totaled \$62,407 at June 30, 2020, all of which are secured by FDIC Insurance.

Resident funds are maintained in separate non-interest bearing checking accounts as required by contractual guidelines. Cash and cash equivalents at June 30, 2020 included \$15,935 in restricted deposits.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

4. Revenue Receivable and Long-Term Receivable:

Revenue receivable and long-term receivable represent the amounts due from the Agency's contracts with the State of Louisiana, DCFS, AmeriGroup and Louisiana Healthcare Connections, as third-party reimbursements for services rendered to clients. Receivables are stated at the amount management expects to collect from outstanding balances. Amounts expected to be collected within one year are reported as current assets (\$132,382 as of June 30, 2020), while amounts that are in the collection process but not anticipated to be collected within one year are reported as non-current assets (\$97,710 as of June 30, 2020). Balances that are still outstanding after management has exhausted all reasonable collection efforts are written off using the direct write-off method (see Note 8 for current year bad debt expense).

5. Fair Value of Financial Instruments:

The Agency's financial instruments consist of cash, receivables and mortgage notes payable. The carrying value of these instruments approximates their fair values.

The Agency has adopted FASB Accounting Standards Codification Topic 820, "Fair Value Measurements". Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Agency-specific data. These unobservable assumptions reflect the Agency's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

6. Fixed Assets:

The following is a summary of changes in fixed assets for the Agency for the two-year period ended June 30, 2020:

	Balance 6-30-18	Additions	Deletions	Balance 6-30-19	Additions	Deletions	Balance 6-30-20
Fixed Assets, Not Depreciated-							
Land	\$ 321,078	\$ 0	\$0	\$ 321,078	\$ 0	\$0	\$ 321,078
Fixed Assets, Depreciated-							
Facility	1,647,839	0	0	1,647,839	0	0	1,647,839
Vehicles	105,709	0	0	105,709	0	0	105,709
Household Furniture	110,679	0	0	110,679	2,646	0	113,325
Office Furniture	44,707	31,511	0	76,218	26,367	0	102,585
Computers	27,053	0	0	27,053	5,707	0	32,760
Renovations-IL	96,620	0	0	96,620	0	0	96,620
Major Movables	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>
Total Fixed Assets	\$2,365,813	\$ 31,511	\$0	\$2,397,324	\$ 34,720	\$0	\$2,432,044
Accumulated Depreciation	<u>1,016,550</u>	<u>57,078</u>	<u>0</u>	<u>1,073,628</u>	<u>59,882</u>	<u>0</u>	<u>1,133,510</u>
Net Fixed Assets-							
Totals	<u>\$1,349,263</u>	<u>\$(25,567)</u>	<u>\$0</u>	<u>\$1,323,696</u>	<u>\$(25,162)</u>	<u>\$0</u>	<u>\$1,298,534</u>

Depreciation expense in the amount of \$59,882 and \$57,078 was recorded for the years ended June 30, 2020 and June 30, 2019, respectively.

7. Long-Term Liabilities:

On October 9, 2014, the Agency executed a loan agreement and promissory note with BOM Bank for \$500,000, with an interest rate of 4.25%. The original loan was to be repaid in 59 regular payments of \$3,070 and one irregular last payment estimated at \$414,679, due on October 9, 2019. The maturity date was extended to October 9, 2024. The interest rate increased to 5.25% in 2018. The proceeds from this loan were used to pay off three existing loans with the Bank of Montgomery. This loan is collateralized by the property located at 425 Rue de Gabriel in Natchitoches, Louisiana. The balance of this loan at June 30, 2020, was \$399,334.

The Agency executed a second loan agreement with BOM Bank on October 9, 2014, for \$300,000, with an interest rate of 4.25%. The loan was to be repaid in 59 regular payments of \$1,858 and one irregular last payment estimated at \$248,807, due on October 9, 2019. The maturity date was extended to October 9, 2024. The interest rate increased to 5.25% in 2018. The proceeds from this loan were used to pay off an existing loan with LA Capital Federal Credit Union and an existing loan with Bank of Montgomery. This loan is collateralized by property located at 4275 University Parkway, Natchitoches, Louisiana. The balance of this loan at June 30, 2020, was \$239,712.

The Agency was issued proceeds from an existing line of credit with BOM Bank which originated on December 12, 2013. The current rate of interest on this line of credit is 4.0%. This loan is collateralized by property located at 425 Rue de Gabriel, Natchitoches, Louisiana. The balance of this line of credit at June 30, 2020, was \$17,189.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

7. Long-Term Liabilities (continued):

The Agency executed a loan agreement with BOM Bank dated January 7, 2019, in the amount of \$102,239 with an interest rate of 5.50%. The loan is to be repaid in 60 payments of \$1,953 with a final payment due on January 7, 2024. The proceeds of this loan were used to cover operating costs and to pay off the previous mortgage on the property located at Fourth Street. This loan is collateralized by properties located at 425 Rue de Gabriel and 4275 University Parkway, in Natchitoches, Louisiana. The balance of this loan at June 30, 2020 was \$75,274.

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>	Amount Due <u>in one Year</u>
Notes Payable to BOM Bank:					
- Note #35 Line of Credit	\$ 70,162	\$192,000	\$(244,973)	\$ 17,189	\$17,189
- Note #40 Refinance	418,172	0	(18,838)	399,334	19,213
- Note #45	251,011	0	(11,299)	239,712	11,522
- Note #55	<u>94,584</u>	<u>0</u>	<u>(19,310)</u>	<u>75,274</u>	<u>20,368</u>
Total	<u>\$833,929</u>	<u>\$192,000</u>	<u>\$(294,420)</u>	<u>\$731,509</u>	<u>\$68,292</u>

The fair value of the above loans is estimated based on the current rates offered to the Agency for debt of the same remaining maturities. At June 30, 2020, the fair value of long-term debt approximates the amounts recorded in the financial statements. The annual requirements for these notes, including interest, are as follows:

<u>FYE</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2021	\$ 68,292	\$ 36,650	\$104,942
6/30/2022	53,906	33,647	87,553
6/30/2023	56,861	30,692	87,553
6/30/2024	46,624	27,745	74,369
6/30/2025	<u>505,826</u>	<u>10,924</u>	<u>516,750</u>
	<u>\$731,509</u>	<u>\$139,658</u>	<u>\$871,167</u>

8. Bad Debt Expenses:

The Agency recognized the following bad debt expenses for receivables deemed uncollectible and written off in the current year:

\$16,639	Amounts due from the State of Louisiana (DCFS)
<u>27,118</u>	Reimbursements due from Magellan
<u>\$43,757</u>	

The amounts written off for DCFS were for costs incurred by the Agency (for group home and transitional living residents) prior to 2015, which contractual reimbursements the State of Louisiana has refused to pay despite repeated collection attempts by the Agency. The amounts written off for Magellan are a result of the State's contract with a third-party for unpaid reimbursement of costs in the Group Home and Community Counseling programs.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

9. Retirement Commitments:

The Agency offers employees the option of participating in an employee-sponsored Simple IRA retirement plan with American Funds. The plan allows employees to make contributions to the plan at time of hire. After the six months' probation period, the Agency will match up to three percent of the employee's salary to the plan. For the year ended June 30, 2020, Cane River Children's Services, Inc.'s contribution amount was \$5,994 and employee contributions totaled \$10,926.

10. Pending Litigation:

Cane River Children's Services, Inc. has no legal action pending at June 30, 2020.

11. Lease Commitments:

Cane River Children's Services, Inc. has no lease commitments at June 30, 2020.

12. Compensation Paid to Board Members:

The members of the Board of Directors serve as volunteers and receive no compensation.

13. Concentrations and Economic Dependency:

The Agency receives the majority of its revenue from funds provided through federal and state grants administered by the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Agency receives could be reduced significantly. Either of these conditions could have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Agency will receive in the next fiscal year.

14. Contingencies:

In March, 2020, the World Health Organization declared the outbreak of novel coronavirus disease (COVID-19) as a pandemic. Although this matter has the potential to negatively impact the results of operations and financial position of the Agency, the related financial impact cannot be reasonably estimated at this time.

15. New Accounting Pronouncements:

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Agency adopted this standard effective July 1, 2019 using the modified retrospective approach. The adoption did not have a significant impact on the Agency's financial statements and no adjustment was necessary to the beginning balance of net asset.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

15. New Accounting Pronouncements (continued):

In January, 2016, FASB issued Accounting standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, as amended by ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall*. These ASU's changed how certain equity investments are measured with changes in fair value recognized in change in net assets, simplified the impairment assessment process for equity investments without readily determinable fair values, eliminated certain fair value disclosure requirements for financial instruments, and changed presentation requirements for certain financial instruments as well as other situational requirements involving recognition. The Agency adopted these provisions effective July 1, 2019. Changes resulting from this adoption only affected certain disclosures related to the fair value of financial instruments. Net assets as previously reported were not affected by the adoption of this ASU.

In August, 2016, FASB issued Accounting standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. FASB also issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash of restricted cash equivalents. The Agency has elected the nature of the distribution approach and adopted these provisions effective July 1, 2019 on a retrospective basis. The adoption of these ASU's did not have a material impact on the Agency's cash flows.

In June 2018, FASB issued Accounting standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this new standard did not have a material impact on the measurement or recognition of revenue.

16. Accounting Pronouncements Issued but Not Yet in Effect:

In February 2016, FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations from the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This standard is effective for annual periods beginning after December 15, 2021. The Agency is currently assessing the impact of this pronouncement on its financial statements.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2020

17. Subsequent Events:

Management has evaluated subsequent events through November 12, 2020, the date which the financial statements were available to be issued, and determined that there were no items to be reported as subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

Cane River Children’s Services, Inc.
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2020

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees, be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2016, Act 462 of the 2016 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head Name: Jennifer Johnson-Karle, Chief Executive Officer

<u>Purpose</u>	<u>Amount</u>
Salary	\$81,473
Benefits - Insurance	6
Benefits - Retirement	7,728
Benefits - SS/Medicare	6,232
Car Allowance	0
Cell Phone	773
Dues	0
Vehicle Rental	0
Per Diem	0
Reimbursements	0
Travel	0
Housing	0
Unvouchered Expenses	0
Special Meals	0
Other	0

See independent auditors’ report.

Cane River Children's Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA No.	Pass-Through Entity No.	Federal Revenue/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass-through from State Department of Social Services:			
Resident Treatment Services for Foster Children - ARRA (Title IV - Foster Care)	93.658	010008200	\$760,582
<u>U. S. Department of Justice</u>			
Pass-through from Louisiana Commission on Law Enforcement:			
Crime Victim Assistance	16.575	2017-VA-02/04-4391	55,884
Crime Victim Assistance	16.575	2018-VA-02/04-5165	<u>51,679</u>
		TOTAL	<u>\$868,145</u>

See independent auditors' report.

Cane River Children's Services, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cane River Children's Services, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.

Note 2. Summary of Significant Accounting Policies

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

Cane River Children's Services, Inc. has elected not to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipients, Non-Cash Assistance, Federal Insurance, Loans, and Loan Guarantees

Cane River Children's Services, Inc. did not provide any federal funds to subrecipients nor did they receive any federal non-cash assistance, insurance, loans, or loan guarantees.

OTHER REPORTS

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

Eddie G. Johnson, CPA - A Professional Corporation (1927-1996)

Mark D. Thomas, CPA - A Professional Corporation
Roger M. Cunningham, CPA - A Professional Corporation
Jessica H. Broadway, CPA - A Professional Corporation
Ryan E. Todtenbier, CPA - A Professional Corporation

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

To the Board of Directors of
Cane River Children's Services, Inc.

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 Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we consider the deficiency described as *Item 2020-001 - Segregation of Duties* to be a significant deficiency. We also identified one instance of material weakness, described as *Item 2020-002 - Reconciliation of Prepaid Accounts* in the accompanying schedule of findings and questioned costs.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cane River Children's Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Cane River Children's Services, Inc.'s Response to Findings

Cane River Children's Services, Inc.'s responses to the findings identified in our audit are described in the accompanying Management's Corrective Action Plan. Cane River Children's Services, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

November 12, 2020

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

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

To the Board of Directors of
Cane River Children's Services, Inc.
Natchitoches, LA 71457

Report on Compliance for Each Major Federal Program

We have audited Cane River Children's Services, Inc. (Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2020. The Agency's major federal programs is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 the Agency'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 the Agency's compliance.

Opinion on the Major Federal Program

In our opinion, Cane River Children's Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Cane River Children's Services, Inc. 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 the Agency'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 the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We consider the deficiency described as *Item 2020-002* in the accompanying schedule of findings and questioned costs to be a material weakness.

Cane River Children's Services, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Cane River Children's Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway & Todtenbier, CPA's
Natchitoches, Louisiana

November 12, 2020

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs
June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statement

Type of Auditors' Report Issued:	Unmodified
Internal Control over Financial Reporting:	
Material Weakness(es) Identified?	Yes (2020-002)
Significant Deficiency(ies) Identified not Considered to be Material Weakness?	Yes (2020-001)
Noncompliance Material to Financial Statements Noted?	No

Federal Awards Section

Internal Control over Major Programs:	
Material Weakness(es) Identified?	Yes (2020-002)
Type of Auditors' Report Issued on Compliance for Major Federal Programs	Unmodified
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR 200.516(a)?	No
Identification of Major Program:	
- Residential Treatment Services for Foster Children	CFDA 93.658
Dollar Threshold used to Determine Type A Programs:	\$750,000
Auditee Qualified as Low-Risk Auditee:	No

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs (continued)
June 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control-

2020-001 Segregation of Duties

Criteria - Cane River Children's Services, Inc. should have employees available to execute the ongoing duties related to financial matters.

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements, including the related note disclosures.

Cause - Due to a lack of funds, Cane River Children's Services, Inc. does not have a sufficient number of employees to adequately separate accounting duties or to prepare the agency's annual financial statements with related note disclosures.

Effect - Intentional or unintentional errors could be made and not detected within the accounting system.

Recommendation - Since the costs associated with establishing an appropriate system of internal control should not outweigh the benefits derived from it, we do not have a recommendation to make.

Internal Control over Financial Reporting/Internal Control over Compliance-

2020-002 Internal Control over Prepaid Accounts - CFDA #93.658

Criteria - Adequate internal controls require that prepaid accounts be properly recorded and reconciled to the general ledger on a timely basis.

Condition - During the current year, Cane River Children's Services did not properly reconcile prepaid accounts to the general ledger.

Cause - Prepaid expenditures for insurance and other costs were improperly recorded in accounts payable and were not reconciled to the general ledger on a timely basis.

Effect - Failure to properly reconcile and record prepaid accounts resulted in misstated expenditures in the current year, which adversely effects the reliability of the financial statements for each program.

Recommendation - We recommend that the Agency implement procedures to reconcile prepaid accounts on a timely basis in accordance with generally accepted accounting principles.

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs (continued)
June 30, 2020

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The following findings relate to the major federal award programs for Cane River Children's Services, Inc.:

See Item 2020-002 under Section II above.



P.O. Box 2453 Natchitoches, LA 71457-2453 Phone: (318) 352.9349 Fax: (318) 352.9345

November 12, 2020

Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Re: Cane River Children's Services, Inc.
Financial Report – June 30, 2020

The following is our response to the audit findings issued to us by the firm Thomas, Cunningham, Broadway & Todtenbier, CPA's for the year ended June 30, 2020.

Management's Corrective Action Plan:

2020-001 Segregation of Duties-

Cane River Children's Services is a small non-profit organization with limited revenue and personnel. Although there are multiple checks and balances in accounts payable, and another position was added to assist with the segregation of duties and internal controls, the limited size of our organization continues to restrict the reasonable use of hiring additional personnel to address this audit finding. The Board of Directors regularly reviews the financial statements and accepts responsibility for their contents and presentation.

2020-002 Internal Control over Prepaid Accounts

Cane River Children's Services has taken steps to implement additional procedures regarding the prepaid expense accounts, including correction of monthly journal entries to allocate expenses and timely reconciliation of prepaid balances to the general ledger.

Thank you for your assistance and oversight in providing quality auditing guidelines. Please contact us if there are any questions regarding our response.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jennifer Johnson Karle".

Jennifer Johnson Karle
Chief Executive Officer

A handwritten signature in blue ink, appearing to read "Vicki P. Parrish".

Vicki P. Parrish
Chairman of the Board

Cane River Children's Services, Inc.
Summary of Prior Year's Findings
June 30, 2020

SECTION I: SCHEDULE OF FINANCIAL STATEMENT FINDINGS

2019-001 Segregation of Duties

Condition - Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties and the lack of personnel available to prepare financial statements including the related note disclosures.

Current Status - For the year ended June 30, 2020, this condition was not cleared. See finding 2020-001.

SECTION II: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None identified.