

EDUCATIONAL AND TREATMENT COUNCIL, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Educational and Treatment Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Educational and Treatment Council, Inc. as of June 30, 2024, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Educational and Treatment Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Educational and Treatment Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Educational and Treatment Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Educational and Treatment Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to chief executive officer and expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to chief executive officer and expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Educational and Treatment Council, Inc's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2024, on our consideration of Educational and Treatment Council, 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 solely 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 effectiveness of Educational and Treatment Council, Inc.'s 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 Educational and Treatment Council, Inc.'s internal control over financial reporting and compliance.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
December 30, 2024

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2024

With Comparative Totals as of June 30, 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 745,255	\$ 661,325
Cash - restricted	31,212	5,329
Accounts receivable	591,133	286,883
Prepaid expenses	52,552	54,328
Total current assets	<u>1,420,152</u>	<u>1,007,865</u>
Fixed Assets at cost, net of accumulated depreciation of \$838,107	1,643,602	1,709,956
Operating right-of-use leased assets	321,914	361,267
	<u>1,965,516</u>	<u>2,071,223</u>
TOTAL ASSETS	<u><u>3,385,668</u></u>	<u><u>3,079,088</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	56,017	313,504
Accrued salary and payroll taxes	109,923	84,731
Contract liabilities	-	74,420
Current portion of operating right-of-use lease liabilities	90,288	91,640
Total current liabilities	<u>256,228</u>	<u>564,295</u>
Long-term liabilities		
Operating right-of-use lease liabilities - net of current portion	205,675	270,622
Total liabilities	<u>461,903</u>	<u>834,917</u>
Net Assets		
Without donor restriction	2,923,765	2,244,171
With donor restriction	-	-
	<u>2,923,765</u>	<u>2,244,171</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,385,668</u></u>	<u><u>\$ 3,079,088</u></u>

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

With Comparative Totals for Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Contributions	\$ 18,922	\$ -	\$ 18,922	\$ 50,917
In-kind contributions	37,963	-	37,963	15,049
Grants and contracts	1,758,919	-	1,758,919	1,535,795
Service taxes	785,640	-	785,640	511,150
Interest	13,282	-	13,282	4,146
Miscellaneous	41,617	-	41,617	32,007
Insurance recoveries (see note C)	829,062	-	829,062	269,767
Gain (loss) on sale of fixed assets	5,000	-	5,000	(553)
Net assets released from restrictions:				
Expiration of time restrictions	-	-	-	-
Total public support, revenues and reclassifications	<u>3,490,405</u>	<u>-</u>	<u>3,490,405</u>	<u>2,418,278</u>
EXPENSES				
Residential Services	1,564,594	-	1,564,594	1,286,780
Community Program Services	<u>1,246,217</u>	<u>-</u>	<u>1,246,217</u>	<u>1,040,575</u>
Total expenses	<u>2,810,811</u>	<u>-</u>	<u>2,810,811</u>	<u>2,327,355</u>
CHANGE IN NET ASSETS	679,594	-	679,594	90,923
NET ASSETS, BEGINNING	<u>2,244,171</u>	<u>-</u>	<u>2,244,171</u>	<u>2,153,248</u>
NET ASSETS, ENDING	<u>\$ 2,923,765</u>	<u>\$ -</u>	<u>\$ 2,923,765</u>	<u>\$ 2,244,171</u>

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

With Comparative Totals for the Year Ended June 30, 2023

	Residential Services	Community Program Services	2024 Total	2023 Total
Salaries	\$ 897,401	\$ 670,867	\$ 1,568,268	\$ 1,252,790
Payroll taxes	67,830	48,807	116,637	91,564
Employee benefits	64,038	76,898	140,936	118,980
Total salaries and benefits	<u>1,029,269</u>	<u>796,572</u>	<u>1,825,841</u>	<u>1,463,334</u>
Advertising	341	88	429	698
Bad debt expense	7,043	-	7,043	-
Client activities	13,901	107,315	121,216	87,880
Contractual services	26,678	41,375	68,053	67,321
Computer services	7,718	4,119	11,837	4,209
Donated supplies	16,252	21,711	37,963	15,049
Dues/subscriptions	1,360	685	2,045	1,774
Food	27,246	-	27,246	228
Household supplies	2,155	-	2,155	12,462
Insurance-workmen's compensation	30,002	22,646	52,648	50,636
Insurance-liability	92,082	86,621	178,703	156,889
Janitorial services	20,266	8,347	28,613	18,719
Licenses/certification	650	-	650	701
Medical services	804	-	804	1,173
Miscellaneous	-	2,159	2,159	535
Motor vehicle	9,221	15,927	25,148	37,948
Office supplies	11,608	6,421	18,029	41,874
Personal client needs/clothing	2,394	-	2,394	1,615
Professional services	10,174	10,175	20,349	21,985
Recreational	3,996	-	3,996	9
Lease expenses	104,311	18,919	123,230	151,210
Repairs and maintenance - building and grounds	50,827	4,992	55,819	15,963

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2024

With Comparative Totals for the Year Ended June 30, 2023

	Residential Services	Community Program Services	2024 Total	2023 Total
Repairs and maintenance - equipment	\$ 5,989	\$ 5,447	\$ 11,436	\$ 9,682
Security	667	412	1,079	3,079
Service charges	1,670	1,344	3,014	2,708
Supplies - kitchen	3,585	-	3,585	967
Communications	11,748	11,417	23,165	30,929
Therapeutic supplies	220	5,037	5,257	1,636
Travel and training	5,883	7,793	13,676	14,025
Utiilities	33,518	7,676	41,194	39,549
Evacuation expense	-	-	-	3,364
Total expenses before depreciation	<u>1,531,578</u>	<u>1,187,198</u>	<u>2,718,776</u>	<u>2,258,151</u>
Depreciation of buildings and equipment	<u>33,016</u>	<u>59,019</u>	<u>92,035</u>	<u>69,204</u>
Total expenses	<u>\$ 1,564,594</u>	<u>\$ 1,246,217</u>	<u>\$ 2,810,811</u>	<u>\$ 2,327,355</u>

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

With Comparative Totals for the Year Ended June 30, 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 679,594	\$ 90,923
Adjustments to reconcile change in net assets to net cash provided by (used) by operating activities		
Depreciation	92,035	69,204
(Increase) decrease in accounts receivable	(304,250)	(169,375)
(Increase) decrease in prepaid expenses	1,776	(19,686)
(Increase) decrease in right-of-use leased assets	39,353	(343,443)
Increase (decrease) in accounts payable	(257,487)	101,845
Increase (decrease) in accrued expenses	25,192	10,441
Increase (decrease) in contract liabilities	(74,420)	-
Increase (decrease) in operating right-of-use lease liabilities	(66,299)	344,383
Net cash from operating activities	<u>135,494</u>	<u>84,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from insurance reimbursement receivable	-	91,312
Proceeds from disaster assistance receivable	-	18,260
Purchase of fixed assets	(25,681)	(479,480)
Net cash from investing activities	<u>(25,681)</u>	<u>(369,908)</u>
Net increase (decrease) in cash and cash equivalents	109,813	(285,616)
Cash and cash equivalents, beginning	<u>666,654</u>	<u>952,270</u>
Cash and cash equivalents, ending	<u>\$ 776,467</u>	<u>\$ 666,654</u>

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Educational and Treatment Council, Inc. (ETC) is a nonprofit corporation organized in 1974 under the laws of the State of Louisiana. The mission of ETC is to provide services and programs that ensure youth safety, enhance life functioning, and re-connect youth and families with the community. Educational and Treatment Council, Inc. provides prevention and intervention services that address issues affecting at-risk youth and their families. All services are available at no cost to clients. The primary service area of Educational and Treatment Council, Inc. is the five parishes of Southwest Louisiana.

Harbour House, a program of Educational and Treatment Council, Inc., is an emergency shelter for children and youth ages 10-17 years old. The shelter serves abused and neglected children, foster children, runaway and homeless youth, status offenders, and other youth in need of a safe place to stay. Harbour House also provides brief respite for children of families in crisis to ensure safety and reduce stress. In addition to short-term residential care, other services provided include education, counseling, assessment, and referral. Established in 1985, Harbour House is licensed by the State of Louisiana as a Child Residential Facility with a maximum capacity of 18 youth.

The Transitional Living Program (TLP), formerly known as La Maison de Grace, is another residential service of ETC. The Transitional Living Program provides supervised apartment housing and support services for youth ages 16-22 who are aging out of the juvenile justice and foster care systems. The program also provides scattered site housing and support services for homeless youth ages 17-22. Services focus on vocational training, job attainment, educational advancement, and money management.

Community-based services of Educational and Treatment Council, Inc. include home-based case management and skill building, child abuse prevention and intervention, parenting workshops, community education, kinship support, and outpatient substance abuse and crime victims counseling for juveniles.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

Educational and Treatment Council, Inc., Inc. adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, or Accounting Standards Codification Topic 606 (“ASC 606”). The guidance outlines a single, comprehensive model for accounting for revenue in exchange transactions from contracts with customers. The Council’s revenue derived from exchange transactions are for services performed under terms of various contracts and special event revenue. The Council applied Topic 606 to its revenue derived from exchange transactions as follows:

Transaction price - The transaction price of contract revenue and special event revenue are based on the cost expended to provide such goods and services.

Performance obligations – The Council has identified the following performance obligations in exchange transactions: (1) services under terms of various contracts; and (2) fundraising services to obtain donations. The Council applies the principles of materiality in the determination of the performance obligations.

Payments under cost-reimbursable contracts recognize revenue when performance obligations under the terms of the contracts with customers are satisfied. Service tax revenue is recognized over the time-period for which the provision of juvenile care, shelter, and treatment services is provided and/or for which the capacity for the aforementioned services is provided to the Calcasieu Parish Police Jury. Fundraising and special event revenues represent reciprocal transfers (exchange transactions) are recognized when the performance obligation is satisfied. The Council’s estimate of the transaction price for service tax revenue is determined based on the cost per bed bay rate and provision for family support services stated in the contract as an semi-annual predetermined payment.

The following table presents the Council’s net revenue disaggregated based on the revenue from contracts with customers:

<u>For the year ended June 30,</u>	<u>2024</u>	<u>2023</u>
Cost reimbursable-performance obligation contracts	\$ 547,166	\$ 360,268
Service taxes (see note H)	785,640	511,150
Fundraising event exchange transactions	326	226
Total revenue from contracts with customers	<u>\$ 1,333,132</u>	<u>\$ 871,644</u>

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The following table presents the Council's contract balances based on revenue from contracts with customers:

<u>For the year ended June 30,</u>	<u>2024</u>	<u>2023</u>
Contract liabilities	\$ -	\$ 74,420
Receivables from contracts	31,549	42,943

Public Support

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in without donor restricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in with donor restricted net assets depending on the nature of the restriction. When a restriction expires, with donor restricted net assets are reclassified to without donor restricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Included in contributions revenue and program expenses is the estimated value of donated materials and equipment of \$37,963. Donated goods and services were used to enhance program activities and operations. However, a substantial number of volunteers have donated significant amounts of time to the Council's programs services and its fundraising activities which have not been reflected in the financial statements inasmuch no objective basis is available to measure the value of such services.

Estimates

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Grant and contract revenue are typically on cost-reimbursement arrangements and revenue is recognized after the program expenditures have been incurred. As such, the Council recognizes revenue and records a receivable for the reimbursement amount from the respective agency. Grants and contracts receivable are stated at net realizable value. In determining whether or not to record an allowance for doubtful accounts, management makes a judgmental determination based on an evaluation of the facts and circumstances related to each account. Accounts receivable at June 30, 2024 of \$591,133 represents receivables from grants, contracts and service taxes, all of which is deemed collectable. If amounts become uncollectible, they will be charged to the change in net assets when the determination is made.

Advertising Costs

The Council expenses advertising costs as incurred. Expenses incurred were \$429 for the year ended June 30, 2024.

Cash

Cash includes amounts in demand deposits. The Council's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2024, the carrying amount was \$776,467 and the bank balance was \$776,543, of which \$747,369 was covered by federal depository insurance and \$29,174 was uninsured.

Juvenile residents had cash balances of \$31,212 in a separate bank account at June 30, 2024. This amount is shown as restricted cash in the statement of financial position. A related liability is also shown in the statement of financial position.

Contract Liabilities

Service taxes received from the Calcasieu Parish Police Jury for the provision of juvenile care, shelter, and treatment services are deemed to be earned and reported as revenues when the Council has provided the capacity for the aforementioned services in compliance with the specific restrictions. Such amounts received but not yet earned are reported as contract liabilities and total \$0- and \$74,420 for the fiscal years ending June 30, 2024 and 2023, respectively.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Council considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

Educational and Treatment Council, Inc. is a nonprofit organization as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for federal and state income taxes is included in the financial statements. Educational and Treatment Council, Inc. has been determined by the Internal Revenue Service not to be a “private” foundation within the meaning of Section 170(b)(1)(A)(vi) of the Code. The Council’s income tax filings are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Classification of Net Assets

Net assets of the Council are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Council. Certain restrictions may need to be maintained in perpetuity.

Earnings related to with donor restricted net assets will be included in net assets without donor-imposed restriction unless otherwise specifically required to be included in donor restricted net assets by the donor or by applicable state law.

All net assets of the Council as June 30, 2024 were considered to be net assets without donor restrictions.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE B – FIXED ASSETS

The following is a summary of property and equipment as of June 30, 2024:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Land	\$ 25,000	\$ -	\$ 25,000
Buildings	2,206,734	-	2,206,734
Improvements	9,760	-	9,760
Transportation equipment	99,792	(21,082)	78,710
Equipment, furniture and fixtures	<u>152,831</u>	<u>8,674</u>	<u>161,505</u>
	2,494,117	(12,408)	2,481,709
Less: Accumulated Depreciation	<u>784,161</u>	<u>53,946</u>	<u>838,107</u>
Total	<u>\$ 1,709,956</u>	<u>\$ (66,354)</u>	<u>\$ 1,643,602</u>

Property and equipment is stated at cost, net of accumulated depreciation. Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Equipment, furniture and fixtures	5-10
Transportation equipment	5
Leasehold improvements	15

NOTE C – CONTINGENCIES

The Council receives a substantial amount of its support from state and local governments. Such programs are subject to independent audit as well as review by their respective agencies. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

In August 2020, October 2020 and February 2021; Hurricanes Laura, Delta and local freezing, respectively, inflicted extensive damage to the Council's Outreach and Harbour House buildings, furniture, and equipment. The Council has restored the buildings and has incurred significant costs which were partially reimbursed by their commercial property insurance policies. The financial statements for the fiscal year ending June 30, 2021 included impairment losses resulting from these natural disaster damages totaling \$101,119. The impairment losses were calculated and valued based on the historical original cost of the destroyed component or partially damaged fixed assets. The restorative efforts of the remaining damages to the building are considered repairs and expensed as incurred. Restorative expenditures included in repairs total \$91,312 and \$401,468 for the year ended June 30, 2022 and June 30, 2021, respectively.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE C – CONTINGENCIES - CONTINUED

Restorative efforts to the Outreach building totaled \$567,714 and were completed during the fiscal year ending June 30, 2022. Restorative efforts to the Harbour House building were substantially completed by June 30, 2023. The final cost to restore the Harbour House building totaled \$864,625, with \$437,113 of this cost incurred during fiscal year June 30, 2023. The cost to completely restore both the Outreach and Harbour House buildings damaged by storms and local freezing totaled \$1,432,340.

The Council filed storm and freeze related damage insurance claims and received approved insurance reimbursements of \$631,302 as of June 30, 2022. The Council filed a lawsuit against the property insurance company and was awarded insurance reimbursements related to the building storm and local freeze damages. The lawsuit was settled in October 2023. Insurance recoveries in the amount of \$829,062 are reflected in the June 30, 2024 Statement of Activities.

During the fiscal year ending June 30, 2022, the Council was awarded FEMA assistance totaling \$18,260 to be utilized for restoration activities.

The Council also undertook efforts to obtain business interruption insurance reimbursements related to the storm and freeze and received \$269,767 in insurance proceeds during the fiscal year ending June 30, 2023.

NOTE D – FUNCTIONAL ALLOCATION OF EXPENSES

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Council estimates of the relative proportion of various staff members' time and effort between programs and administrative functions.

NOTE E – PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by next asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE F – SICK AND VACATION PAY

The first six months of employment are considered a new hire introductory period. Any days missed during this period are treated as non-compensatory leave. Sick leave begins to be accrued from the date of employment, but may not be used prior to the completion of six months continuous service and satisfactory completion of the introductory period. Sick leave for regular full-time employees is accumulated at the rate of eight hours per month of service. Part time employees who regularly work at least 20 hours per week accrue sick leave on a pro-rated basis based on the number of their regularly scheduled hours per day. Termination of service with the Council during this period results in forfeiture of all accrued sick leave.

After the introductory period, full-time employees can begin utilizing sick leave, which is accrued at the rate of one day per month. This accrual of sick leave shall continue until the employee has accrued a maximum of 30 days sick leave. After this maximum has been achieved, no further sick leave shall be accrued until the balance is reduced below 30 days. Any employee terminating agency service shall not be compensated in any form for any unused accrued sick leave. Therefore, no liability has been accrued for these benefits.

Accrual of annual leave begins at the time the full or part time employee successfully completes the required introductory period. Full-time employees begin accruing annual leave at the rate of eight hours per month up to 96 hours of annual leave each year of employment. After three years of service, the annual leave increases by eight hours for each additional year of service up to a maximum of 160 hours per year. Part-time employees who regularly work at least 20 hours per week accrued annual leave hours on a pro-rated basis. Unless additional carryover leave is approved by the Board, an employee may not carry over a maximum of 32 hours of annual leave time from one fiscal year to the next.

Any carried over leave time must be used by the end of the second quarter of the next fiscal year (December 31) or it is lost. Upon termination of employment, regular employees will be paid for any accrued, but unused, annual leave. The dollar value of accrued leave as of June 30, 2024 amounted to \$18,726.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE G – RIGHT-OF-USE OPERATING LEASES

Educational and Treatment Council, Inc. implemented ASU 2016-02, Leases (Topic 842), effective July 1, 2021. The ASU's core principle is that "a lessee should recognize the assets and liabilities that arise from leases." The ASU considered that "all leases create an asset and a liability," and accordingly requires recording the assets and liabilities related to all leases with a term greater than 12 months. This accounting was applied to all lease agreements using the modified retrospective method and recognized the leased assets and liabilities on its balance sheet at the earliest comparative period beginning on July 1, 2021 while also restating the prior period net assets.

Right-of-use assets are a result of leases in which Educational and Treatment Council, Inc. has entered into a contract with a lessor that conveys control of the right-of-use the lessor's nonfinancial asset (the underlying asset) as specified by the contract for a period of time in an exchange or exchange-like transaction. Such assets are reported on the financial statements, net of amortization. Right-of-use assets are amortized at the lesser of the useful life of the lease term.

The Council entered into three new lease agreements for vehicles during the year ended June 30, 2024, each with three-year lease terms. The interest rate for these vehicle leases is 7%. Three existing leases concluded during the year ended June 30, 2024. These related vehicles were returned to the lessor and removed from right-of-use assets and liabilities. The Council incurred lease costs of \$16,763 and \$13,085 for the fiscal years ending June 30, 2024 and 2023, respectively.

Beginning on May 1, 2023, the Council entered into an operating lease for up to nine apartment units for its transitional living program. The lease expires on April 30, 2028, but can be canceled after twenty-four months of compliance with the terms of the lease for an amount equaled to two months rent, or \$14,200. At the conclusion of the original expiration of the lease, the Council may notify the landlord as to their interest in renewing the lease and the terms for the continued lease will be discussed and approved at that time. This potential lease renewal is not included in the right-of-use asset or liability amounts. The Council incurred a lease cost of \$85,200 for these apartments during the fiscal year ending June 30, 2024.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE G – RIGHT-OF-USE OPERATING LEASES - CONTINUED

Key estimates and judgments related to leases include how the Council determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Council uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Organization generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments for the lease term.

The Council monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The Council is obligated for rental payments through 2028 which total \$361,885.

Year Ending June 30,		
2025	\$	100,441
2026		99,921
2027		90,523
2028		<u>71,000</u>
Total Undiscounted Cash Flows		361,885
Less: Present Value		<u>(65,922)</u>
Total Operating Lease Liability	\$	<u>295,963</u>

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE H – JUVENILE SERVICES TAX

On May 5, 1984, the property owners of Calcasieu Parish passed the Juvenile Detention, Probation, and Services Tax. The Juvenile Services tax was originally approved by voters for 2.4 mills and the tax has since been renewed every 10 years. The Calcasieu Parish Policy Jury contracted with the Council to provide juvenile services, emergency shelter services for children, family support, and various other services as described in their agreement. Per the contractual agreement, the Council is also to reserve and maintain specified capacity for services to be provided to the Calcasieu Parish Police Jury. For and in consideration of the payment of the foregoing contract, the Calcasieu Parish Police Jury shall pay \$733,800 in two equal installments on a semi-annual basis in February of each year of the agreement for the services provided during the previous July through December, or as soon thereafter, and in October of each year of the agreement for the services provided during the previous January through June. The service payments were \$785,640 for the fiscal year ended June 30, 2024. This amount includes funds that had been deferred in prior years. Due to decreased capacity resulting from hurricane damages, the services payments were reduced and totaled \$442,331 for the fiscal year ending June 30, 2023.

NOTE I – LIQUIDITY

At June 30, 2024, the Council has \$1,331,388 available to meet needs for general expenditures consisting of cash of \$740,255 and accounts receivable of \$591,133. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Council manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Council are expected to be met on a monthly basis from grant income. In general, the Council maintains sufficient financial assets on hand to meet thirty days' worth of normal

NOTE J – SUBSEQUENT EVENTS

The Council evaluated its June 30, 2024 financial statements for subsequent events through the date of the audit report, the date the financial statements were available to be issued. The Council is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

OTHER INFORMATION

EDUCATIONAL AND TREATMENT COUNCIL, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO CHIEF EXECUTIVE OFFICER

Paid from Public Funds

Year Ended June 30, 2024

Chief Executive Officer: Amy Dunn, Executive Director

Purpose	Amount
Salary	\$ 69,795
Benefits-health insurance	6,679
Benefits-retirement	-
Benefits	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	34
Travel	222
Registration fees	-
Conference travel	-
Continuing professional education fees	529
Housing	-
Unvouchered expenses	-
Special meals	-
Meal reimbursements	-
Dues	-

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Grantor/ Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grantors Number	Disbursements/ Expenses
U.S. Department of Health and Human Services Basic center grant	93.623	-	\$ 164,675
Transitional living for homeless youth	93.550	-	192,172
Pass-through from State of Louisiana Department of Social Services Promoting safe and stable families	93.556	-	738,422 *
TANF Cluster: Pass-through from Calcasieu Parish Police Jury Temporary assistance for needy families	93.558	-	104,000
U.S. Department of Homeland Security Pass-through United Way Emergency Food and Shelter National Board Program	97.024	-	10,500

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2024

Federal Grantor/ Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grantors Number	Disbursements/ Expenses
U.S. Department of Justice Pass-through from Calcasieu Parish Police Jury Crime Victims Assistance	16.575	-	26,081
Total Federal Awards			<u>\$ 1,235,850</u>

* - Major Programs

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Educational and Treatment Council, Inc. under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Educational and Treatment Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Educational and Treatment Council, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (2) The Educational and Treatment Council, Inc. has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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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

Board of Directors
Education and Treatment Council, Inc.
Lake Charles, 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 the Education and Treatment Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, 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 December 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Education and Treatment Council, 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 Education and Treatment Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Education and Treatment Council's, 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 or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See 2024-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Education and Treatment Council, 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 financial statements. 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*.

Educational and Treatment Council, Inc.'s Response to Findings

Government Auditing Standards requires the auditors to perform limited procedures on Educational and Treatment Council, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Educational and Treatment Council 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 the response.

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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
December 30, 2024

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

Board of Directors
Education and Treatment Council, Inc.
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Educational and Treatment Council, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Educational and Treatment Council, Inc.'s major federal programs for the year ended June 30, 2024. Educational and Treatment Council, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Educational and Treatment Council, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Educational and Treatment Council, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Educational and Treatment Council, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Educational and Treatment Council, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Educational and Treatment Council, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Educational and Treatment Council, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Educational and Treatment Council, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Educational and Treatment Council, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Educational and Treatment Council, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material

weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. However, this report is a matter of public record and its distribution is not limited.

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana
December 30, 2024

EDUCATIONAL AND TREATMENT COUNCIL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2024

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued				Unmodified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	_x_	No
Significant deficiencies identified not considered to be material weaknesses?	_x_	Yes	___	None reported
Noncompliance material to financial statements noted?	___	Yes	_x_	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	_x_	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	_x_	None reported
Type of auditor's report issued on compliance for major programs:				Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___	Yes	_x_	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.556	US Department of Health and Human Services, Pass-through from State of Louisiana Department of Social Services, Promoting Safe and Stable Families

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ Yes _x_ No

No Separate Management Letter Issued

EDUCATIONAL AND TREATMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

2024-001: Segregation of Duties

Condition:	Because of the Council's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.
Cause:	The Council employs a small number of people involved in day-to-day operations.
Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	To the extent cost effective, duties should be segregated, and management should attempt to mitigate this weakness by supervision and review procedures.
Response:	Management concurs with the recommendation and has implemented supervision and review procedures to the extent possible.

EDUCATIONAL AND TREATMENT COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – PRIOR YEAR FINDINGS

2023-001: Segregation of Duties

Condition: Proper segregation of duties for effective internal controls is not in place.

Status: Repeat finding in 2023.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Education and Treatment Council, Inc. and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2023 through June 30, 2024. Education and Treatment Council, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Education and Treatment Council, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2023 through June 30, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
- ii. ***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.
- iii. ***Disbursements***, including processing, reviewing, and approving.

- iv. **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).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **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).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception (1Ai): The Council does not have a written budgeting policy.

Exception (1Aii): The Purchasing policy does not include language describing (2) how vendors are added to the vendor list.

Exception (1Avi): The Council's contracting policy does not contain the language recommended in this document.

We performed the Information Technology Disaster Recovery/Business Continuity procedure (1Axi) and discussed the results with management.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance 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:
- i. 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.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the not-for-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.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Exception (2Aiv): The Council is unable to resolve audit findings due to lack of sufficient financial resources.

3) Bank Reconciliations

- A. Obtain a listing of entity 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 each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank

reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged).

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

Exception (3Aii): No written evidence was found showing the review of bank reconciliations done within 1 month of the date the reconciliation was prepared.

4) Collections (excluding electronic funds transfers)

- A. 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).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one 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:
 - i. Employees responsible for cash collections do not share cash drawers/registers.
 - ii. 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.
 - iii. 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.
 - iv. 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/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
- D. 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). *Alternately, 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:
 - i. Observe that receipts are sequentially pre-numbered.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- iii. Trace the deposit slip total to the actual deposit per the bank statement.
- iv. Observe 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 and the cash is stored securely in a locked safe or drawer).
- v. Trace the actual deposit per the bank statement to the general ledger.

These procedures are not applicable to this non-profit organization.

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

- A. 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).
- B. For each location selected under #4B 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:
 - i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - iii. 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.
 - iv. 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.

[Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
- C. For each location selected under #4B 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:
 - i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

The Non-Payroll Disbursement items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. 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.
- B. 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:
- i. Observe whether 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) were reviewed and approved, in writing (or electronically approved), 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.]
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under #6B 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 (e.g., each card should have 10 transactions subject to testing). For each transaction, observe 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

The Credit Card/Debit Card/Fuel Card/P-Card items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. 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 reimbursements, 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:
- i. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - iii. Observe 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).
 - iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The Travel and Travel-Related Expense Reimbursements items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

8) Contracts

- A. 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. *Alternately, 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:
- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - iii. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

The Contracts were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or officials' cumulative leave records, agree the pay rates to the employee's or officials' authorized pay rates in the employee's or officials' personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

The Payroll and Personnel items were subject to testing under the Allowable Costs and Procurement in the OMB Compliance Supplement (Uniform Guidance).

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above obtain ethics documentation from management, and:

- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

These procedures are not applicable to this non-profit organization.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. 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 (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

These procedures are not applicable to this non-profit organization.

12) Fraud Notice

- A. 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 as required by R.S. 24:523.
- B. Observe 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.

No exceptions were found through the performance of these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing

up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.
- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:
- Hired before June 9, 2020 - completed the training; and
 - Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;
- ii. Number of sexual harassment complaints received by the agency;
- iii. Number of complaints which resulted in a finding that sexual harassment occurred;
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

These procedures are not applicable to this non-profit organization.

Management's Responses:

1Ai - The Council will prepare a written budgeting policy which will include the recommended language listed in the document.

1Aii – The Council will update their purchasing policy to include (2) how vendors are added to the vendor list and reviewed by another individual.

1Avi – The Council will update their written contracting policy which will include the recommended language listed in this document.

2Aiv – The Council is unable to resolve the audit finding of “Segregation of Duties” due to lack of sufficient financial resources. The Council has implemented supervision and review procedures to the extent possible.

3Aii – The Council will begin having the Board Member who reviews bank reconciliations initial and date the bank reconciliation upon performing the review.

We were engaged by Education and Treatment Council, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Education and Treatment Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Steven M DeRouen & Associates LLC

Lake Charles, Louisiana
December 30, 2024