

EDUCATIONAL AND TREATMENT COUNCIL, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
Year Ended June 30, 2022

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 22, 2022, 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 22, 2022

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

With Comparative Totals as of June 30, 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash	\$ 952,270	\$ 1,070,080
Accounts receivable	117,458	479,617
Insurance recoveries receivable	91,312	-
Disaster assistance receivable	18,260	-
Prepaid expenses	34,642	30,705
Total current assets	<u>1,213,942</u>	<u>1,580,402</u>
Fixed Assets at cost, net of accumulated depreciation of \$901,100	<u>1,300,233</u>	<u>580,270</u>
	<u>1,300,233</u>	<u>580,270</u>
TOTAL ASSETS	<u><u>2,514,175</u></u>	<u><u>2,160,672</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	211,659	146,252
Accrued salary and payroll taxes	74,290	60,237
Contract liabilities	74,420	77,866
Current maturities of long-term debt	-	175,899
Total current liabilities	<u>360,369</u>	<u>460,254</u>
Net Assets		
Without donor restriction	2,153,806	1,700,418
With donor restriction	-	-
	<u>2,153,806</u>	<u>1,700,418</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,514,175</u></u>	<u><u>\$ 2,160,672</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, 2022

With Comparative Totals for Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Contributions	\$ 23,898	\$ -	\$ 23,898	\$ 10,915
In-kind contributions	18,745	-	18,745	11,720
Grants and contracts	1,193,730	-	1,193,730	1,123,500
Disaster assistance grant	18,260	-	18,260	-
Service taxes	413,727	-	413,727	607,377
Interest	149	-	149	1,747
Miscellaneous	26,965	-	26,965	64,887
Insurance recoveries (see note C)	638,117	-	638,117	825,766
Paycheck Protection Program loan forgiveness	196,000	-	196,000	-
Gain on sale of fixed assets	-	-	-	4,500
Net assets released from restrictions:				
Expiration of time restrictions	-	-	-	-
Total public support, revenues and reclassifications	<u>2,529,591</u>	<u>-</u>	<u>2,529,591</u>	<u>2,650,412</u>
EXPENSES				
Residential Services	1,084,116	-	1,084,116	1,666,473
Community Program Services	992,087	-	992,087	807,727
Loss on fixed assets impairment (see note C)	-	-	-	101,119
Total expenses	<u>2,076,203</u>	<u>-</u>	<u>2,076,203</u>	<u>2,575,319</u>
CHANGE IN NET ASSETS	453,388	-	453,388	75,093
NET ASSETS, BEGINNING	<u>1,700,418</u>	<u>-</u>	<u>1,700,418</u>	<u>1,625,325</u>
NET ASSETS, ENDING	<u>\$ 2,153,806</u>	<u>\$ -</u>	<u>\$ 2,153,806</u>	<u>\$ 1,700,418</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, 2022

With Comparative Totals for the Year Ended June 30, 2021

	Residential Services	Community Program Services	2022 Total	2021 Total
Salaries	\$ 473,098	\$ 552,450	\$ 1,025,548	\$ 1,182,402
Payroll taxes	40,965	34,904	75,869	87,094
Employee benefits	45,416	42,514	87,930	119,852
Total salaries and benefits	<u>559,479</u>	<u>629,868</u>	<u>1,189,347</u>	<u>1,389,348</u>
Advertising	992	430	1,422	523
Bad debt expense	344	1,967	2,311	886
Client activities	21,125	30,637	51,762	64,399
Contractual services	11,782	44,273	56,055	52,354
Computer services	999	1,579	2,578	2,265
Donated supplies	7,647	11,098	18,745	11,720
Dues/subscriptions	1,061	709	1,770	2,539
Food	2,964	-	2,964	9,968
Household supplies	1,573	-	1,573	5,894
Insurance-workmen's compensation	23,494	13,016	36,510	35,929
Insurance-liability	68,379	59,435	127,814	105,977
Janitorial services	6,654	7,773	14,427	6,194
Licenses/certification	50	-	50	2,175
Medical services	601	-	601	919
Miscellaneous	6	-	6	503
Motor vehicle	6,573	43,477	50,050	29,934
Office supplies	6,313	12,953	19,266	8,189
Personal client needs/clothing	2,226	-	2,226	3,635
Professional services	11,607	11,337	22,944	7,251
Recreational	1,928	-	1,928	5,133
Rent	163,350	56,871	220,221	132,259
Repairs and maintenance - building and grounds	94,377	4,959	99,336	416,424

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, 2022

With Comparative Totals for the Year Ended June 30, 2021

	Residential Services	Community Program Services	2022 Total	2021 Total
Repairs and maintenance - equipment	\$ 4,400	\$ 4,329	\$ 8,729	\$ 8,192
Security	-	-	-	426
Service charges	1,449	1,294	2,743	5,873
Supplies - kitchen and camp	797	-	797	1,753
Communications	14,678	14,062	28,740	19,540
Therapeutic supplies	-	1,893	1,893	587
Travel and training	1,311	2,264	3,575	5,225
Utilities	32,639	9,615	42,254	30,218
Evacuation expense	6,173	-	6,173	82,155
Total expenses before depreciation	<u>1,054,971</u>	<u>963,839</u>	<u>2,018,810</u>	<u>2,448,387</u>
Depreciation of buildings and equipment	<u>29,145</u>	<u>28,248</u>	<u>57,393</u>	<u>25,813</u>
Total expenses	<u><u>\$ 1,084,116</u></u>	<u><u>\$ 992,087</u></u>	<u><u>\$ 2,076,203</u></u>	<u><u>\$ 2,474,200</u></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, 2022

With Comparative Totals for the Year Ended June 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 453,388	\$ 75,093
Adjustments to reconcile change in net assets to net cash provided by (used) by operating activities		
Depreciation	57,393	25,813
(Increase) decrease in accounts receivable	362,159	(285,989)
(Increase) decrease in prepaid expenses	(3,937)	4,974
Increase (decrease) in accounts payable	65,407	134,342
Increase (decrease) in accrued expenses	14,053	(12,615)
Increase (decrease) in contract liabilities	(3,446)	74,419
Net cash from operating activities	<u>945,017</u>	<u>16,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from insurance reimbursement receivable	(91,312)	-
Proceeds from disaster assistance receivable	(18,260)	-
Purchase of fixed assets	(777,356)	(315,803)
Fixed assets impairment	-	101,119
Net cash from investing activities	<u>(886,928)</u>	<u>(214,684)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program loan forgiveness	(175,899)	-
Payments on long-term debt	-	(20,102)
Net cash from investing activities	<u>(175,899)</u>	<u>(20,102)</u>
 Net increase (decrease) in cash and cash equivalents	 (117,810)	 (218,749)
Cash and cash equivalents, beginning	<u>1,070,080</u>	<u>1,288,829</u>
Cash and cash equivalents, ending	<u>\$ 952,270</u>	<u>\$ 1,070,080</u>

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 shelter has been operating in a temporary location at reduced capacity as a result of damage to the facility by the hurricanes of 2020 and freeze of 2021.

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 for youth ages 16-21 who are homeless or who are aging out of the juvenile justice and foster care systems. The program also provides scattered site housing for homeless youth ages 18-21. Services focus on vocational training, job attainment, educational advancement and money management.

Community-based services of Educational and Treatment Council, Inc. include in-home crisis counseling, child abuse prevention and intervention, home visitation, case management, Functional Family Therapy, and outpatient substance abuse treatment 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, 2022

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>2022</u>	<u>2021</u>
Cost reimbursable-performance obligation contracts	\$ 352,902	\$ 407,665
Service taxes (see note H)	413,727	607,377
Fundraising event exchange transactions	202	100
Total revenue from contracts with customers	\$ 766,831	\$ 1,015,142

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>2022</u>	<u>2021</u>
Contract liabilities	\$ 74,420	\$ 77,866
Receivables from contracts	28,444	58,223

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$18,745. 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.

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, 2022 of \$117,458 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.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising Costs

The Council expenses advertising costs as incurred. Expenses incurred were \$1,422 for 2022.

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, 2022, the carrying amount was \$952,270 and the bank balance was \$955,328, of which \$649,320 was covered by federal depository insurance and \$306,009 was uninsured.

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 \$74,420 and \$77,866 for the fiscal years ending June 30, 2022 and 2021, respectively.

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.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2022 were considered to be net assets without donor restrictions.

NOTE B – FIXED ASSETS

The following is a summary of property and equipment as of June 30, 2022:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Land	\$ 25,000	\$ -	\$ 25,000
Construction in progress	291,644	135,869	427,513
Buildings	774,395	567,714	1,342,109
Improvements	9,760	-	9,760
Transportation equipment	205,103	23,126	228,229
Equipment, furniture and fixtures	<u>118,074</u>	<u>50,648</u>	<u>168,722</u>
	1,423,976	777,357	2,201,333
Less: Accumulated Depreciation	<u>843,706</u>	<u>57,394</u>	<u>901,100</u>
Total	<u>\$ 580,270</u>	<u>\$ 719,963</u>	<u>\$ 1,300,233</u>

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE B – FIXED ASSETS - CONTINUED

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 is currently restoring the buildings and has incurred significant costs which are expected to be partially reimbursed by their commercial property insurance policies. The financial statements for the fiscal year ending June 30, 2021 include 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.

Restorative efforts to the Outreach and Harbour House buildings are ongoing as of June 30, 2022. The estimated costs to completely restore the buildings could range from \$830,000 to \$900,000 and are expected to be completed in January 2023. It is possible for this estimated cost to change in the near term.

The Council has filed insurance claims and has approved insurance reimbursements of \$631,302 and \$825,766 as of June 30, 2022 and June 30, 2021, respectively. The Council is undertaking efforts to obtain additional insurance reimbursements from the natural disaster damages to the buildings, furniture and equipment; but the final potential settlement has not yet been determined. In fiscal year ending June 30, 2022, the Council was also awarded FEMA assistance totaling \$18,260 to be utilized for restoration activities.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2021, from which the summarized information was derived.

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.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE F – SICK AND VACATION PAY - CONTINUED

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 at June 30, 2022 amounted to \$19,587.

NOTE G – OPERATING LEASE COMMITMENT

The Council leases up to eighteen apartment units for its transitional living program under operating leases expiring at various times during the year. In addition, the Council leased an office space for eight months to house the community-based programs while the Outreach Center was still under repairs. Total lease expense for the year was \$220,221.

The Council entered into two 36-month operating leases in March 2021 and one 24-month operating lease in October 2021 for a total of three vehicles. The leases require the Council to pay \$1,018 per month. The total amount paid for the year was \$17,600.

The following is a schedule of future minimum lease payments due under the non-cancelable lease agreements for the years ending:

<u>For the year ended June 30,</u>	
2023	\$ 12,215
2024	5,868

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 \$629,795 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. Due to decreased capacity resulting from hurricane damages, the services payment was reduced and totaled \$413,727 for the fiscal year ending June 30, 2022.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE I – LIQUIDITY

At June 30, 2022, the Council has \$1,051,874 available to meet needs for general expenditures consisting of cash of \$934,416 and accounts receivable of \$117,458. None of the 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 operating expenses.

NOTE J – NOTE PAYABLE

During the fiscal year ended June 30, 2020, the Council received a loan in the amount of \$196,000 from the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. During fiscal year ending June 30, 2022, the Organization applied for and has been notified that \$196,000 in eligible expenditures for payroll and other expenses described in the CARES Act has been forgiven. Loan forgiveness is reflected in the accompanying statement of activities.

NOTE K – SUBSEQUENT EVENTS

The Council evaluated its June 30, 2022 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, 2022

Chief Executive Officer: Amy Dunn, Executive Director

Purpose	Amount
Salary	\$ 68,100
Benefits-health insurance	5,328
Benefits-retirement	-
Benefits	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	426
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	167
Housing	-
Unvouchered expenses	-
Special meals	-
Meal reimbursements	-
Dues	-

EDUCATIONAL AND TREATMENT COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

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	-	\$ 87,695
Transitional living for homeless youth	93.550	-	129,330
Pass-through from State of Louisiana Department of Social Services Promoting safe and stable families	93.556	-	497,200 *
TANF Cluster:			
Pass-through from Calcasieu Parish Police Jury Temporary assistance for needy families	93.558	-	113,603
Pass-through from State of Louisiana office of Juvenile Justice Temporary assistance for needy families	93.558	-	57,619
Total TANF Cluster			<u>\$ 171,222</u>

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Grantors Number	Disbursements/ Expenses
U.S. Department of Homeland Security Pass-through United Way Emergency Food and Shelter National Board Program	97.024	-	\$ 13,000
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	-	18,260
U.S. Department of Justice Pass-through from Calcasieu Parish Police Jury Crime Victims Assistance	16.575	-	<u>38,349</u>
Total Federal Awards			<u>\$ 955,056</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, 2022. 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, 2022, 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 22, 2022.

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 2022-001.

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 22, 2022

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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, 2022. 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, 2022.

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 22, 2022

EDUCATIONAL AND TREATMENT COUNCIL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

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:

CFDA Number	Name of Federal Program or Cluster
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, 2022

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

2022-001: 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, 2022

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – PRIOR YEAR FINDINGS

2021-001: Segregation of Duties

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

Status: Repeat finding in 2022.

2021-002: Late Filing of Independent Auditor's Report

Condition: The audited financial statements were due by December 31, 2021, but were not filed until April 6, 2022.

Status: The fiscal year June 30, 2022 financial statements were filed by the December 31, 2022 due date.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Educational 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, 2021 through June 30, 2022. Educational and Treatment Council Inc.'s management is responsible for those C/C areas identified in the SAUPs.

Educational 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, 2021 through June 30, 2022. 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:

Written Policies and Procedures

1. 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:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, (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.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **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.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

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

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

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

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

Board or Finance Committee

2. 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:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) 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 nonprofit 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.*
 - c) 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.

Exception (2a): The finance committee of the board of directors did not meet regularly during the fiscal year ending June 30, 2022.

Exception (2b): Some financial information including budget-to-actual comparisons were not regularly provided to the board of directors during the fiscal year ending June 30, 2022.

Bank Reconciliations

3. 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:
 - a) 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);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

- c) 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 (3a): Noted some bank reconciliations prepared after 2 months of the related statement closing date.

Exception (3b): Noted no review of each bank reconciliation by a member of management/board member who does not handle cash, post ledgers or issued checks.

Exception (3c): Noted some reconciling items over 12 months old without written research documentation.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. 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:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. 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.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *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:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) 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).
- e) Trace the actual deposit per the bank statement to the general ledger.

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

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

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

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

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe 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.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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.

Exception (12a): While the credit card's statements are reviewed by someone other than the primary authorized card holder, the Organization does not have an additional review by an individual who does not have access to the credit cards .

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 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:

- a) 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).
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) 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).
- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were found as a result of these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *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:
- a) 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.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe 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).
 - d) 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.

Exception (15b): Noted two contracts utilized were outdated.

Payroll and Personnel

16. 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.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) 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.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. 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 or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. 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.

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

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. 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.

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

Debt Service

21. 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.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (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.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe 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 as a result of these procedures.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if 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.
 - c) 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.

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

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, 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.
27. Observe 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).
28. 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 it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

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

Management’s Responses

1a – The entity will prepare a written budgeting policy which will include the recommended language listed in this document.

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

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

2a – The entity will complete minutes of all board meetings in a timely manner.

2b – The entity will provide financial activity and supporting documents to the board members at the meetings.

3a – The entity will begin preparing all bank reconciliations within 2 months of the related statement’s closing date.

3b – The entity will begin requiring a member of management/board member who does not handle cash, post ledgers or issue checks to review (with evidence of approval) each bank reconciliation.

3c – The entity will begin providing written explanations of all outstanding checks over 12 months old.

12a – The entity will begin requiring an individual who does not have access to the credit cards to review the credit card statements and supporting documentation.

15b – The entity will update all contracts with vendors.

We were engaged by Educational 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 Educational 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 22, 2022