

EDUCATIONAL AND TREATMENT COUNCIL, INC.  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS  
Year Ended June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educational and Treatment Council, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to chief executive officer and the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report on Summarized Comparative Information**

The financial statements of Educational and Treatment Council, Inc. as of June 30, 2019, were audited by other auditors whose report dated December 23, 2019, expressed an unmodified audit opinion on these audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 8, 2021, 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 8, 2021

EDUCATIONAL AND TREATMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

With Comparative Totals as of June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 1,288,829	\$ 1,173,597
Accounts receivable	193,628	150,819
Prepaid expenses	<u>35,679</u>	<u>36,057</u>
Total current assets	1,518,136	1,360,473
Fixed Assets at cost, net of accumulated depreciation of \$1,271,643		
	<u>391,398</u>	<u>430,279</u>
	391,398	430,279
<b>TOTAL ASSETS</b>	<u><u>1,909,534</u></u>	<u><u>1,790,752</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	11,910	29,125
Accrued salary and payroll taxes	72,852	77,690
Deferred support	<u>3,447</u>	<u>-</u>
Total current liabilities	88,209	106,815
Long-Term debt, net of current maturities	<u>196,000</u>	<u>-</u>
Total liabilities	284,209	106,815
Net Assets		
Without donor restriction	1,625,325	1,683,937
With donor restriction	<u>-</u>	<u>-</u>
	<u>1,625,325</u>	<u>1,683,937</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,909,534</u></u>	<u><u>\$ 1,790,752</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, 2020

With Comparative Totals for Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</b>				
Contributions	\$ 23,516	\$ -	\$ 23,516	\$ 31,549
In-kind contributions	13,980	-	13,980	18,376
Grants and contracts	1,705,669	-	1,705,669	1,889,339
Service taxes	733,800	-	733,800	728,690
Interest	7,899	-	7,899	8,172
Miscellaneous	56,110	-	56,110	13,800
Net assets released from restrictions:				
Expiration of time restrictions	-	-	-	-
Total public support, revenues and reclassifications	<u>2,540,974</u>	<u>-</u>	<u>2,540,974</u>	<u>2,689,926</u>
<b>EXPENSES</b>				
Residential Services	1,657,884	-	1,657,884	1,810,864
Community Program Services	941,702	-	941,702	824,527
Total expenses	<u>2,599,586</u>	<u>-</u>	<u>2,599,586</u>	<u>2,635,391</u>
CHANGE IN NET ASSETS	(58,612)	-	(58,612)	54,535
NET ASSETS, BEGINNING	<u>1,683,937</u>	<u>-</u>	<u>1,683,937</u>	<u>1,629,402</u>
NET ASSETS, ENDING	<u>\$ 1,625,325</u>	<u>\$ -</u>	<u>\$ 1,625,325</u>	<u>\$ 1,683,937</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, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Residential Services	Community Program Services	2020 Total	2019 Total
Salaries	\$ 1,040,878	\$ 588,181	\$ 1,629,059	\$ 1,597,279
Payroll taxes	77,479	43,095	120,574	117,769
Employee benefits	66,251	59,262	125,513	98,132
Total salaries and benefits	<u>1,184,608</u>	<u>690,538</u>	<u>1,875,146</u>	<u>1,813,180</u>
Advertising	436	355	791	834
Bad debt expense	115	-	115	349
Client activities	25,536	28,049	53,585	69,161
Contractual services	11,052	38,660	49,712	54,971
Community care activities	-	-	-	-
Computer services	1,218	2,124	3,342	5,973
Donated supplies	7,195	6,655	13,850	18,376
Dues/subscriptions	2,137	1,506	3,643	3,720
Food	44,487	-	44,487	48,415
Fund-raising	-	-	-	4,247
Household supplies	4,319	-	4,319	14,654
Insurance-workmen's compensation	35,126	10,918	46,044	47,715
Insurance-liability	53,964	50,162	104,126	98,698
Janitorial services	17,638	6,856	24,494	30,050
Licenses/certification	650	8,981	9,631	8,900
Medical services	1,092	-	1,092	2,611
Miscellaneous	517	440	957	1,158
Motor vehicle	8,269	19,562	27,831	36,538
Office supplies	6,879	7,000	13,879	17,903
Personal client needs/clothing	4,730	-	4,730	11,520
Professional services	5,750	5,751	11,501	11,500
Recreational	5,521	-	5,521	15,752
Rent	128,499	700	129,199	130,676
Repairs and maintenance - building and grounds	22,954	4,010	26,964	22,181

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, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Residential Services	Community Program Services	2020 Total	2019 Total
Repairs and maintenance - equipment	\$ 6,193	\$ 5,049	\$ 11,242	\$ 13,459
Security	351	250	601	927
Service charges	1,761	1,449	3,210	2,882
Supplies - kitchen and camp	2,811	145	2,956	3,785
Communications	11,472	11,892	23,364	23,536
Therapeutic supplies	125	625	750	3,675
Travel and training	6,116	12,281	18,397	17,389
Utilities	34,657	6,644	41,301	43,263
Total expenses before depreciation	<u>1,636,178</u>	<u>920,602</u>	<u>2,556,780</u>	<u>2,577,998</u>
Depreciation of buildings and equipment	<u>21,706</u>	<u>21,100</u>	<u>42,806</u>	<u>57,393</u>
Total expenses	<u><u>\$ 1,657,884</u></u>	<u><u>\$ 941,702</u></u>	<u><u>\$ 2,599,586</u></u>	<u><u>\$ 2,635,391</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, 2020

With Comparative Totals for the Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (58,612)	\$ 54,535
Adjustments to reconcile change in net assets to net cash provided by (used) by operating activities		
Depreciation	42,806	57,393
(Increase) decrease in accounts receivable	(42,809)	89,287
(Increase) decrease in prepaid expenses	379	(2,850)
Increase (decrease) in accounts payable	(17,215)	(27,852)
Increase (decrease) in accrued expenses	(4,838)	16,666
Increase (decrease) in deferred support	3,447	-
Net cash from operating activities	<u>(76,842)</u>	<u>187,179</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(3,926)	(812)
Proceeds from disposition of fixed assets	-	-
Net cash from investing activities	<u>(3,926)</u>	<u>(812)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from debt borrowing	196,000	-
Payments on long-term debt	-	(7,364)
Net cash from investing activities	<u>196,000</u>	<u>(7,364)</u>
 Net increase (decrease) in cash and cash equivalents	 115,232	 179,003
Cash and cash equivalents, beginning	<u>1,173,597</u>	<u>994,594</u>
Cash and cash equivalents, ending	<u><u>\$ 1,288,829</u></u>	<u><u>\$ 1,173,597</u></u>

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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 average length of stay for residents is 23 days.

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, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Public Support and Revenues

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 unrestricted 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 restricted net assets depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted 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 \$13,980. 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

Accounts receivable at June 30, 2020 of \$193,628 represents receivables from federal and state grants, all of which is deemed collectable.

Advertising Costs

The Council expenses advertising costs as incurred. Expenses incurred were \$791 for 2020.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2020, the carrying amount was \$1,288,829 and the bank balance was \$1,303,602, of which \$1,057,248 was covered by federal depository insurance and \$246,354 was uninsured.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Council has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts.

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 Organization 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.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 parabolic use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to 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.

The Organization does not interpret the guidance in the standard to include amounts restricted by awarding agencies as donor-restricted. The Organization believes that these amounts do not meet the spirit of the standard for such a classification or is there any industry standard indicating that others will treat these assets as donor-restricted.

All net assets of the Organization as June 30, 2020 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, 2020:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Land	\$ 25,000	\$ -	\$ 25,000
Buildings	1,224,115	-	1,224,115
Improvements	9,760	-	9,760
Transportation equipment	201,300	-	201,300
Equipment, furniture and fixtures	<u>198,941</u>	<u>3,925</u>	<u>202,866</u>
	1,659,116	3,925	1,663,041
Less: Accumulated Depreciation	<u>1,228,837</u>	<u>42,806</u>	<u>1,271,643</u>
Total	<u>\$ 430,279</u>	<u>\$ (38,881)</u>	<u>\$ 391,398</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

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE C – CONTINGENCIES

The Council receives a substantial amount of its support from state and local government. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

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 – 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 carry over 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, 2020

NOTE E – 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, 2020 amounted to \$19,587.

NOTE F – 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 shall pay in two equal installments on a semi-annual basis in February of each year of the agreement, or as soon thereafter as ad valorem taxes are received by the Parish, and in October of each year of the agreement. For and in consideration of the payment of the foregoing lease sums, Educational and Treatment Council, Inc. shall provide juvenile services without further cost to the Court or the Calcasieu Parish Police Jury for emergency shelter services for children and family support services as described in the agreement.

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. Total lease expense for the year was \$127,800.

The Council entered into two 24-month operating leases in April 2018 for two vehicles. The leases require the Council to pay \$670 per month. The total amount paid for the year was \$8,040. The vehicle leases terminated in April 2020 and were renewed on a month-to-month basis.

NOTE H – LIQUIDITY

At June 30, 2020, the Council has \$1,482,457 available to meet needs for general expenditures consisting of cash of \$1,288,829 and accounts receivable of \$193,628. 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.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE H – LIQUIDITY – CONTINUED

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 I – 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, 2019, from which the summarized information was derived.

NOTE J – PRIOR YEAR SUMMARIZED INFORMATION

The Council has one note payable as of June 30, 2020:

Paycheck Protection Program (PPP) note payable dated May 8, 2020, in the amount of \$196,000; matures on May 8, 2022, bearing fixed interest of 1.00%. Interest only payments until maturity. The note may only be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before March 2, 2021. The Council intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan maybe forgiven if they are used for qualifying expenses as described in the CARES Act.

Total debt	\$196,000
Less: current portion	<u>-</u>
Long-term debt	<u>\$196,000</u>

Maturities of debt are as follows:

<u>December 31:</u>	<u>Amount</u>
2021	\$ -
2022	<u>196,000</u>
Total	<u>\$196,000</u>



EDUCATIONAL AND TREATMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE K – SUBSEQUENT EVENTS

The Council evaluated its June 30, 2020 financial statements for subsequent events through the date of the audit report, the date the financial statements were available to be issued, and noted the following item.

In August 2020, October 2020 and February 2021 the Council's Lake Charles, Louisiana office and shelter facility incurred significant damages due to Hurricane Laura, Hurricane Delta and a winter freeze. At the date of the financial statements were available to be issued, the range of loss is estimated between \$50,000 and \$175,000 after insurance recoveries.

## 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, 2020

Chief Executive Officer: Amy Dunn, Executive Director

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 69,200
Benefits-health insurance	4,865
Benefits-retirement	-
Benefits	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	66
Travel	641
Registration fees	-
Conference travel	278
Continuing professional education fees	60
Housing	-
Unvouchered expenses	143
Special meals	-
Meal reimbursements	-
Dues	-

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Grantors Number	Disbursements/ Expenses
U.S. Department of Health and Human Services Basic center grant	93.623	-	\$ 153,450
Transitional living for homeless youth	93.550	-	201,416
Pass-through from State of Louisiana Department of Social Services Promoting safe and stable families	93.556	-	365,735 *
Pass-through from State of Louisiana Department Office of Behavioral Health Imperial Calcasieu Human Services Authority (ImCal) Block grants for community Mental health services	93.958	-	65,153
TANF Cluster: Pass-through from Calcasieu Parish Police Jury Temporary assistance for needy families	93.558	-	126,164
Pass-through from State of Louisiana office of Juvenile Justice Temporary assistance for needy families	93.558	-	77,554
Total TANF Cluster			<u>203,718</u>
U.S. Department of Agriculture Pass-through from State of Louisiana Department of Education Child Nutrition Cluster: National School Lunch Program	10.555	-	13,336

EDUCATIONAL AND TREATMENT COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA 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	-	\$ 19,550
U.S. Department of Justice Pass-through from Calcasieu Parish Police Jury Crime Victims Assistance	16.575	-	25,431
U.S. Department of Housing and Urban Development Community Development Block/ Entitlement grants	14.218	-	<u>9,633</u>
Total Federal Awards			<u>\$ 1,057,422</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, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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, 2020, 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 8, 2021.

### **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, I 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.

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

The Educational and Treatment Council, Inc.'s response to the findings identified in our audit is 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 it.

## **Purpose of this Report**

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

Steven M. DeRouen & Associates, LLC

Lake Charles, Louisiana  
December 8, 2021

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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**

We have audited Educational and Treatment Council, Inc.'s compliance with the types of compliance requirements described 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, 2020. 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.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Educational and Treatment Council, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Educational and Treatment Council Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Educational and Treatment Council, Inc.'s compliance.

### **Opinion on Each Major Federal Program**

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, 2020.



## Report on Internal Control Over Compliance

Management of Educational and Treatment Council, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, We considered Educational and Treatment Council, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Educational and Treatment Council, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 8, 2021

EDUCATIONAL AND TREATMENT COUNCIL, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2020

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?   x   Yes        No

No Separate Management Letter Issued

EDUCATIONAL AND TREATMENT COUNCIL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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

2020-001: 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.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SECTION IV – PRIOR YEAR FINDINGS

2019-001: Segregation of Duties

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

Status: Repeat finding in 2020.