

CANE RIVER CHILDREN'S SERVICES, INC.**ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **MAR 12 2014**

Cane River Children's Services, Inc.
Annual Financial Report
June 30, 2013

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Johnson, Thomas & Cunningham

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 the Cane River Children's Services, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Cane River Children's Services, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. Information from the preceding year is reported in certain financial statements within this report. The information was taken from our report dated January 4, 2013, in which we expressed an unqualified opinion on the Cane River Children's Services, Inc.'s statement of financial position.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of Cane River Children's Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cane River Children's Services, Inc.'s internal control over financial reporting and compliance.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 18, 2013

Natchitoches, Louisiana

FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Statement of Financial Position
June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
Assets-		
Cash & Cash Equivalents	\$ 172,142	\$ 202,185
Revenue Receivables	223,127	162,593
Prepaid Expenses	17,632	7,522
Facility	1,614,275	1,496,578
Land	321,078	321,078
Major Movables	12,128	12,128
Office Furniture & Equipment	28,510	28,510
Vehicles	90,572	90,572
Household Furniture	105,330	100,962
Leasehold Improvements	96,620	96,620
Computers	27,053	27,053
Less, Accumulated Depreciation	<u>(770,941)</u>	<u>(717,485)</u>
Total Assets	<u>\$1,937,526</u>	<u>\$1,828,316</u>
Liabilities-		
Accounts Payable	\$ 27,563	\$ 26,636
Accrued Payroll	8,191	13,645
Payroll Liabilities	6,849	7,327
Resident's Deposits	10,851	21,848
Short-Term Debt	0	240,385
Current Portion of Long-Term Debt	25,513	40,775
Long-Term Debt	<u>652,899</u>	<u>230,991</u>
Total Liabilities	<u>\$ 731,866</u>	<u>\$ 581,607</u>
Net Assets-		
Unrestricted	<u>\$1,205,660</u>	<u>\$1,246,709</u>
Total Liabilities & Net Assets	<u>\$1,937,526</u>	<u>\$1,828,316</u>

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

Cane River Children's Services, Inc.
Statement of Activities
Years Ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED REVENUES:		
Intergovernmental	\$1,199,509	\$1,221,944
Other	<u>33,906</u>	<u>6,881</u>
Total Unrestricted Revenues	<u>\$1,233,415</u>	<u>\$1,228,825</u>
Expenses-		
Administrative & General	\$ 408,771	\$ 456,025
Plant Operation	73,265	78,659
Capital Assets Cost	53,456	47,626
Dietary	62,238	75,663
Housekeeping	9,181	12,042
Personal Needs	14,508	14,946
Medical/Nursing	181	3,455
Therapeutic & Training	639,079	601,810
Recreational	6,512	4,541
Ancillary	<u>7,273</u>	<u>16,057</u>
Total Expenses	<u>\$1,274,464</u>	<u>\$1,310,824</u>
(Decrease) in Net Assets	\$ (41,049)	\$ (81,999)
Net Assets-Beginning of Year	<u>1,246,709</u>	<u>1,328,708</u>
Net Assets-End of Year	<u>\$1,205,660</u>	<u>\$1,246,709</u>

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

Cane River Children's Services, Inc.
Statement of Functional Expenses
Years Ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
EXPENSES:		
Administrative & General-		
Salaries-Administrative & Clerical	\$ 199,446	\$ 246,375
Employee Benefits	6,830	6,413
Interest	32,571	27,845
Insurance-Officers	1,207	1,286
Insurance-Workman's Comp.	11,645	14,842
Insurance-Motor Vehicles	7,543	8,848
Insurance-Other	34,506	27,730
Licenses	57	42
Office Supplies	16,749	15,977
Printing	975	1,495
Vehicles-Gas, Oil, etc.	26,502	31,039
Postage	631	2,528
Professional Services	2,888	2,804
Dues & Subscriptions	1,875	10,506
Telephone	15,465	12,542
Training	2,053	940
Travel & Seminars	792	363
Rental Expense	43,525	39,584
Miscellaneous	<u>3,511</u>	<u>4,866</u>
Total	<u>\$ 408,771</u>	<u>\$ 456,025</u>
Plant Operation-		
Outside Services	\$ 6,250	\$ 2,576
Maintenance-Building & Grounds	4,321	7,907
Repairs-Building & Grounds	10,633	2,780
Repairs-Furniture & Equipment	2,359	16,117
Utilities	<u>49,702</u>	<u>49,279</u>
Total	<u>\$ 73,265</u>	<u>\$ 78,659</u>
Capital Assets Cost-		
Depreciation-Furn. & Equip.	\$ 6,858	\$ 6,555
Depreciation-Vehicles	6,187	6,187
Depreciation-Facility	<u>40,411</u>	<u>34,884</u>
Total	<u>\$ 53,456</u>	<u>\$ 47,626</u>

Continued next page.

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

Cane River Children's Services, Inc.
Statement of Functional Expenses
Years Ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
Dietary-		
Salaries-Kitchen Director	\$ 0	\$ 0
Employee Benefits	0	0
Food	62,238	75,573
Dietitian	<u>0</u>	<u>90</u>
Total	<u>\$ 62,238</u>	<u>\$ 75,663</u>
Housekeeping-		
Supplies	<u>\$ 9,181</u>	<u>\$ 12,042</u>
Personal Needs-		
Clothing	\$ 4,013	\$ 3,230
Other	<u>10,495</u>	<u>11,716</u>
Total	<u>\$ 14,508</u>	<u>\$ 14,946</u>
Medical & Nursing-		
Medical Services-Routine	\$ 181	\$ 55
Psychiatric & Psychological	<u>0</u>	<u>3,400</u>
Total	<u>\$ 181</u>	<u>\$ 3,455</u>
Therapeutic & Training-		
Salaries-Therapists	\$ 156,667	\$ 117,170
Salaries-DCC Staff	390,234	394,630
Employee Benefits	31,742	26,647
Payroll Taxes	60,156	62,716
Supplies	280	647
Training	<u>0</u>	<u>0</u>
Total	<u>\$ 639,079</u>	<u>\$ 601,810</u>
Recreational-		
Activities	<u>\$ 6,512</u>	<u>\$ 4,541</u>
Ancillary-		
Residents Miscellaneous	\$ 0	\$ 0
Other	<u>7,273</u>	<u>16,057</u>
Total	<u>\$ 7,273</u>	<u>\$ 16,057</u>
 Total Expenses	 <u>\$1,274,464</u>	 <u>\$1,310,824</u>

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

Cane River Children's Services, Inc.
Statement of Cash Flows
Years Ended June 30, 2013 and June 30, 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (41,049)	\$ (81,999)
Adjustments to Reconcile Decreases in Net Assets to Net Cash Provided by (Used by) Operating Activities:		
Depreciation	53,456	47,626
(Increase) Decrease in Accounts Receivable	(60,532)	(33,900)
(Increase) Decrease in Prepaid Expenses	(10,111)	2,823
Increase (Decrease) in Accounts Payable	927	11,999
Increase (Decrease) in Accrued Payroll	(5,454)	5,889
Increase (Decrease) in Payroll Liabilities	(478)	(226)
Increase (Decrease) in Resident's Deposits	<u>(10,997)</u>	<u>14,290</u>
Net Cash Provided by (Used by) Operating Activities	<u>\$ (74,238)</u>	<u>\$ (33,498)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments	\$ (18,660)	\$ (63,903)
Proceeds from Notes Payable	184,920	101,232
Purchase of Assets, Furniture & Equipment	<u>(122,065)</u>	<u>(103,001)</u>
Net Cash Provided by (Used by) Financing Activities	<u>\$ 44,195</u>	<u>\$ (65,672)</u>
Net Increase (Decrease) in Cash	\$ (30,043)	\$ (99,170)
Cash at Beginning of Year	<u>202,185</u>	<u>301,355</u>
Cash at End of Year	<u>\$ 172,142</u>	<u>\$ 202,185</u>
Total Interest Paid	<u>\$ 32,571</u>	<u>\$ 27,845</u>

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

NOTES TO FINANCIAL STATEMENTS

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2013

1. Organization:

Cane River Children's Services, Inc. was incorporated as a non-profit corporation on May 18, 1978, under the laws of the State of Louisiana. The agency maintains and operates a home for aid to undomiciled and troubled youth, as authorized by its charter. The agency operates under a ten member Board of Directors.

2. Summary of Significant Accounting Policies:

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

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

- A. Financial Statement Presentation - The Agency has adopted FASB Accounting Standard Codification 958-205 "Not-for-Profit Organizations." Under FASB ASC 958-205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows.
- B. Basis of Accounting - The Agency uses the accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.
- C. Financial Statement Preparation - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- D. Fixed Assets - Depreciation on all exhaustible fixed assets is charged as an expense against the operations of the Agency. Assets are recorded at cost if purchased or at market value at time of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years. Accumulated depreciation was \$770,941 at June 30, 2013, and \$717,485 at June 30, 2012.
- E. Income Taxes - The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Agency's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2013

- F. **Long-Term Liabilities** - The Agency has three notes payable at June 30, 2013. In 2006, the Agency refinanced an existing loan with LA Capital Federal Credit Union and borrowed an additional \$55,529, resulting in a total note payable of \$162,600, with an interest rate of 5.625%. The balance at June 30, 2013, was \$89,275.

In January 2013, the Agency refinanced an existing loan with the Bank of Montgomery for a total of \$248,328. The balance at June 30, 2013, was \$245,371.

In February 2013, the Agency updated an existing loan with the Bank of Montgomery for a total of \$347,698. This loan was for the remodeling of a boys' home and constructing a manager home on the same property. The terms of the original financing agreement were extended and modified until construction was completed during the current year. The balance was \$343,766 at June 30, 2013.

The fair value of the three loans is estimated based on the current rates offered to the Agency for debt of the same remaining maturities. At June 30, 2013, the fair value of long-term debt approximates the amounts recorded in the financial statements.

The annual requirements for these notes, including interest, are as follows:

	Note 1- Bank of Montgomery		Note 2- LA Federal Credit Union		Note 3- Bank of Montgomery		Total ALL	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	8,000	10,878	6,373	4,859	11,140	15,242	25,513	30,979
2015	8,368	10,513	6,741	4,491	11,652	14,730	26,761	29,734
2016	8,752	10,126	7,130	4,102	12,187	14,194	28,069	28,422
2017	9,154	9,724	7,542	3,690	12,747	13,635	29,443	27,049
2018	9,575	9,303	7,977	3,255	13,333	13,049	30,885	25,607
2019-2023	54,890	39,501	47,348	8,814	76,435	55,475	178,673	103,790
2024-2028	68,711	25,680	6,164	110	117,553	40,758	192,428	66,548
2029-2033	77,921	8,435			88,719	7,655	166,640	16,090
	<u>245,371</u>	<u>124,160</u>	<u>89,275</u>	<u>29,321</u>	<u>343,766</u>	<u>174,738</u>	<u>678,412</u>	<u>328,219</u>

- G. **Unpaid Accumulated Vacation Pay** - Employees of the Agency earn one to two days of vacation per month, beginning on the seventh month of employment. At the end of each year, employees may carry forward vacation time earned but not taken, up to a maximum of thirty days. Subject to this thirty-day limitation, unused vacation pay is paid to employees upon separation at retirement at hourly rates being earned. Due to the immateriality of this amount in relation to total agency payrolls, no accrual has been made for accumulated vacation pay.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2013

H. Comparative Data - Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and results of operations.

I. Cash and Equivalents - For the purpose of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

2. Cash and Cash Equivalents:

At June 30, 2013, cash and cash equivalents totaled \$172,142, including \$800 petty cash (book balances). Bank balances at June 30, 2013 totaled \$198,451. Bank accounts and sweep accounts of \$153,079 are secured by FDIC Insurance, the \$11,051 in the Federal Credit Union is secured by NCUA Insurance and the investment of \$34,321 is in government securities.

3. Fixed Assets:

The following is a summary of changes in fixed assets for the Agency for the two-year period ended June 30, 2013:

	Balance 6-30-11	Additions	Deletions	Balance 6-30-12	Additions	Deletions	Balance 6-30-13
Fixed Assets,							
Not Depreciated-							
Land	\$ 321,078	\$ 0	\$0	\$ 321,078	\$ 0	\$ 0	\$ 321,078
Construction in Progress	0	101,232	0	101,232		101,232	0
Fixed Assets,							
Depreciated-							
Facility-IL	243,604	0	0	243,604	208,545	0	452,149
Facility	1,151,742	0	0	1,151,742	10,384	0	1,162,126
Vehicles	90,572	0	0	90,572	0	0	90,572
Household Furniture	99,574	1,388	0	100,962	4,368	0	105,330
Office Furniture	28,510	0	0	28,510	0	0	28,510
Computers	27,053	0	0	27,053	0	0	27,053
Renovations-IL	96,620	0	0	96,620	0	0	96,620
Major Movables	<u>11,747</u>	<u>381</u>	<u>0</u>	<u>12,128</u>	<u>0</u>	<u>0</u>	<u>12,128</u>
Total Fixed Assets	\$2,070,500	\$103,001	\$0	\$2,173,501	\$223,297	\$101,232	\$2,295,566
Accumulated Depreciation-							
Net Fixed Assets	<u>669,859</u>	<u>47,626</u>	<u>0</u>	<u>717,485</u>	<u>53,456</u>	<u>0</u>	<u>770,941</u>
Totals	<u>\$1,400,641</u>	<u>\$ 55,375</u>	<u>\$0</u>	<u>\$1,456,016</u>	<u>\$169,841</u>	<u>\$101,232</u>	<u>\$1,524,625</u>

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2013

4. Retirement Commitments:

The Agency offers employees the option of participating in a 401K contribution plan. The plan allows employees to make contributions to the plan at time of hire, after the six months probation period, the Agency will match up to 3% of the employee's salary to the plan. For the year ended June 30, 2013, Cane River Children's Services, Inc.'s contribution amount was \$4,086.

5. Pending Litigation:

Cane River Children's Services, Inc. has no legal action pending at June 30, 2013.

6. Lease Commitments:

Cane River Children's Services, Inc. has no lease commitments at June 30, 2013.

7. Compensation Paid to Board Members:

The members of the Board of Directors receive no compensation for their services.

8. Economic Dependency:

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

9. Federal Financial Assistance:

The Agency has been awarded contracts from the State of Louisiana Department of Social Services and Louisiana Department of Public Safety and Corrections to provide residential treatment services for foster children. The contracts are considered to be an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

10. Unrestricted Net Assets:

None of the Agency's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under FASB ASC 958.

Cane River Children's Services, Inc.
Notes to Financial Statements
June 30, 2013

11. Contributions:

The Agency has also adopted FASB ASC 958-605, "Not-For-Profit Entities – Revenue Recognition." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor imposed restrictions. However, as disclosed above, there were no donor-imposed restrictions during the years ended June 30, 2013 and 2012.

12. Accounts Receivable:

Accounts Receivable at June 30, 2013 and 2012 represents amounts due from its contracts with the State of Louisiana. Accordingly, there has been no provision recorded for doubtful accounts.

13. Subsequent Events:

Management has evaluated events through December 18, 2013, the date which the financial statements were available for issue. There were no items to be reported.

INTERNAL CONTROL AND COMPLIANCE

Johnson, Thomas & Cunningham

Certified Public Accountants

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

Mark D. Thomas, CPA - A Professional Corporation
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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cane River Children's Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cane River Children's Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cane River Children's Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cane River Children's Services, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses 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. However, material weaknesses may exist that have not been identified. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as *Item 13-01 - Segregation of Duties*, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

Cane River Children's Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Cane River Children's Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of 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 purposes. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 18, 2013

Natchitoches, Louisiana

Johnson, Thomas & Cunningham

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Cane River Children's Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cane River Children's Services, Inc.'s major federal programs for the year ended June 30, 2013. Cane River Children's Services, 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cane River Children's Services, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Cane River Children's Services, 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 Cane River Children's Service's compliance.

Opinion on Each Major Federal Program

In our opinion, Cane River Children's Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Cane River Children's Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cane River Children's Services, 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 OMB Circular A-133, 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 Cane River Children's Services, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Johnson, Thomas & Cunningham

Johnson, Thomas & Cunningham, CPA's

December 18, 2013

Natchitoches, Louisiana

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs
June 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

The following summarize the audit results in accordance with OMB Circular A-133:

1. An unmodified opinion was issued on the financial statements of Cane River Children's Services, Inc. as of and for the year ended June 30, 2013.
2. The audit disclosed one significant deficiency in internal control which was not determined to be a material weakness.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
4. The audit did not disclose any significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose any findings related to federal awards that are required to be reported under OMB Circular A-133.
7. The following program was major for the year ended June 30, 2013:
 - Residential Treatment Services for Foster Children - CFDA # 93.658
8. \$300,000 was the threshold used to distinguish Type A from Type B programs.
9. The Cane River Children's Services, Inc. did qualify as a low-risk auditee.
10. Neither the grantor, grantee, nor Medicaid could provide a federal CFDA number for the Community Counseling Program (Type B program), however the CFDA number as listed on the Schedule of Expenditures of Federal Awards was provided by Magellan Behavioral Health in Louisiana.

Cane River Children's Services, Inc.
Schedule of Findings and Questioned Costs (continued)
June 30, 2013

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following findings relate to the financial statements and are required to be reported in accordance with *Government Auditing Standards*:

Internal Control-

13-01 Segregation of Duties

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

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

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

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

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

Management's Response - It is not economically feasible to add a sufficient number of employees to adequately segregate accounting duties. In addition, we have evaluated the cost/benefit of establishing a system to prepare our annual financial statements and have determined that it is in the best interest of the Agency to have our independent auditors prepare our annual financial statements. We understand that we should review the financial statements and notes and accept responsibility for their contents and presentation.

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No instances of noncompliance material to the federal statements were disclosed during the audit.

Cane River Children's Services, Inc.
Summary of Prior Year's Findings
June 30, 2013

SECTION I: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

There were no findings or management letter comments in the prior year.

SECTION II: INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

There were no findings in the prior year.

SECTION III: MANAGEMENT LETTER

Not applicable.

Cane River Children's Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State Contract Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U. S. Department of Health and Human Services</u>			
Pass-through from State Department of Social Services:			
Resident Treatment Services for Foster Children - ARRA	93.658	010008200	\$ 686,992
Independent Living	93.674		463,201
Medical Assistance Program	93.778*		<u>49,316</u>
Total			<u>\$1,199,509</u>

*Neither the grantor, grantee, nor Medicaid could provide a federal CFDA number for the Community Counseling Program, however the above CFDA number was provided by Magellan Behavioral Health in Louisiana.

Cane River Children's Services, Inc.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Cane River Children's Services, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the primary government financial statements.