

**LOUISIANA GUARDIANSHIP
SERVICES, INC.**

FINANCIAL REPORT

JUNE 30, 2014 AND 2013

LOUISIANA GUARDIANSHIP SERVICES, INC.

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Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette, III, CPA

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Louisiana Guardianship Services, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Louisiana Guardianship Services, Inc. (a non-profit organization) (the Organization) which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities, functional expenses, and cash flows for the years 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 risk 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Guardianship Services, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 21, 2014 on my consideration of Louisiana Guardianship Services, Inc.'s internal control over financial reporting and my test 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 the 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 Louisiana Guardianship Services, Inc.'s internal control over financial reporting and compliance.



Reginald A. Bresette III, LLC
Certified Public Accountant
November 21, 2014

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 and 2013

	<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets			
Cash and cash equivalents		\$ 127,949	
Cash held in escrow for representative payees		152,544	\$ 151,708
Receivables:			
Grants (Note 3)		30,500	74,628
Prepaid rent		1,730	
Employee advances		404	
Total Current Assets		313,127	226,336
 Assets restricted to investment in property, furniture, and equipment (Note 4)			
Cost, less accumulated depreciation		11,988	8,412
Security deposits		1,578	1,578
 Total Assets		\$ 326,693	\$ 236,326

LIABILITIES AND NET ASSETS

Liabilities

Cash and cash equivalents - deficit			\$ 6,668
Accounts payable	\$ 50		14,991
Accrued vested annual leave benefits	15,731		16,767
Funds held in escrow (Note 6)	152,544		151,708
Bank line of credit (Note 7)			30,000
 Total Liabilities		168,325	220,134

Net Assets

Unrestricted		158,368	16,192
 Total Net Assets		158,368	16,192
 Total Liabilities and Net Assets		\$ 326,693	\$ 236,326

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
Support, Revenues and Reclassifications						
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support						
Grant - Federal Government	\$ 65,000		\$ 65,000	\$ 50,000		\$ 50,000
Grant - State of Louisiana	464,535		464,535	357,758		357,758
Contributions	200		200	5,440		5,440
Total Support	<u>529,735</u>		<u>529,735</u>	<u>413,198</u>		<u>413,198</u>
Revenues						
Interest income	15		15			
Other revenue	<u>9,866</u>		<u>9,866</u>	<u>16,273</u>		<u>16,273</u>
Total Revenue	<u>9,881</u>		<u>9,881</u>	<u>16,273</u>		<u>16,273</u>
Reclassifications						
Net assets released from restrictions						
Expiration of purpose restrictions						
Total Reclassifications						
Total Support, Revenues and Reclassifications	<u>539,616</u>		<u>539,616</u>	<u>429,471</u>		<u>429,471</u>
Expenses						
Program services	382,200		382,200	372,806		372,806
Management and general	<u>15,240</u>		<u>15,240</u>	<u>16,296</u>		<u>16,296</u>
Total Expenses	<u>397,440</u>		<u>397,440</u>	<u>389,102</u>		<u>389,102</u>
Increase (Decrease) in Net Assets	<u>142,176</u>		<u>142,176</u>	<u>40,369</u>		<u>40,369</u>
Beginning of year	<u>16,192</u>		<u>16,192</u>	<u>(24,177)</u>		<u>(24,177)</u>
End of year (deficit)	<u>\$ 158,368</u>		<u>\$ 158,368</u>	<u>\$ 16,192</u>		<u>\$ 16,192</u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from the State of Louisiana	\$ 500,161	\$ 353,565
Cash received from the Federal Government	73,502	34,998
Cash collected from contributors	200	5,440
Interest income	15	
Other revenue	9,866	16,273
Salaries	(253,668)	(234,503)
Fringe benefits	(53,752)	(53,087)
Travel	(24,126)	(24,576)
Office Expense	(2,371)	(2,745)
Accounting and professional	(10,929)	(10,677)
Dues and subscriptions	(2,085)	(270)
Duplicating and printing	(2,911)	(2,798)
Education and conferences	(6,895)	(1,584)
Insurance	(15,220)	(10,839)
Occupancy	(22,960)	(19,825)
Postage	(1,797)	(1,594)
Telephone	(8,822)	(8,968)
Administrative cost	(5,983)	(12,345)
Interest expense	(850)	(2,129)
Net cash provided (used) by operating activities	<u>171,375</u>	<u>24,336</u>
Cash flows from investing activities:		
Acquisition of fixed assets	<u>(6,758)</u>	<u>(1,041)</u>
Net cash provided (used) by investing activities	<u>(6,758)</u>	<u>(1,041)</u>
Cash flows from financing activities:		
Proceeds from bank line of credit	32,635	9,086
Payments on bank line of credit	<u>(62,635)</u>	<u>(9,086)</u>
Net cash provided (used) by financing activities	<u>(30,000)</u>	<u>-</u>
Net increase (decrease) in cash	134,617	23,295
Cash at beginning of year (deficit)	<u>(6,668)</u>	<u>(29,963)</u>
Cash at end of year (deficit)	<u><u>\$ 127,949</u></u>	<u><u>\$ (6,668)</u></u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ 142,176	\$ 40,369
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,182	2,931
(Increase) Decrease in receivables	44,128	(19,195)
(Increase) Decrease in prepaid rent	(1,730)	1,730
(Increase) Decrease in employee advances	(404)	530
Increase (Decrease) in accounts payable	(14,941)	
Increase (Decrease) in vested annual leave benefits	<u>(1,036)</u>	<u>(2,029)</u>
Net cash provided (used) by operating activities	<u>\$ 171,375</u>	<u>\$ 24,336</u>
Supplemental data:		
Interest paid	<u>\$ 850</u>	<u>\$ 2,129</u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	2014			2013		
	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL
Salaries	\$ 237,689	\$ 227,360	\$ 10,329	\$ 232,474	\$ 222,052	\$ 10,422
Accounting	10,929	10,929		10,677	10,677	
Conferences/training	6,895	6,895		1,584	1,584	
Dues and Subscriptions	2,085	2,085		270	270	
Insurance						
General	15,220	15,220		10,839	10,839	
Group	35,292	35,292		34,924	34,924	
Depreciation	3,182		3,182	2,931		2,931
Interest expense	850		850	2,129		2,129
Miscellaneous	5,983	5,983		12,345	12,345	
Occupancy (Note 5)	21,231	21,231		21,555	21,555	
Office supplies	2,371	2,371		2,745	2,745	
Payroll taxes	18,460	17,581	879	18,163	17,349	814
Postage	1,797	1,797		1,594	1,594	
Printing and duplication	2,911	2,911		2,798	2,798	
Telephone	8,822	8,822		8,968	8,968	
Travel	23,723	23,723		25,106	25,106	
	<u>\$ 397,440</u>	<u>\$ 382,200</u>	<u>\$ 15,240</u>	<u>\$ 389,102</u>	<u>\$ 372,806</u>	<u>\$ 16,296</u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – NATURE OF ACTIVITIES

Louisiana Guardianship Services, Inc. (the Company) is a private non-profit corporation organized to: (1) act as curator or continuing tutor for the person, property, or both, of adults in Louisiana in need of full or limited interdiction or continuing tutorship; (2) to act and be recognized as an agency under contract with the State of Louisiana and its political subdivisions or any department, office, agency, board or commission of either, to perform curatorship or continuing tutorship services for Louisiana citizens pursuant to Title 9, Section 1031 et. seq. of the Louisiana Revised Statutes, as amended; (3) to advance continuing legal education for judges and attorneys who are involved in interdiction and continuing tutorship proceedings; and (4) to identify the alternative agencies and existing resources within Louisiana which may meet the needs of Louisiana adults who are declined services by the corporation and to provide a system for referring such persons to these alternative agencies and resources.

Specific program objectives of DHH-OCDD (Department of Health and Hospitals-Office for Citizens with Development Disabilities) are to protect the rights and interests of mentally incapacitated persons in Louisiana with no one to make decisions on their behalf. Louisiana Clinical Services, Inc. (LCS) has appointed the Louisiana Department of Health and Hospitals, Office for Citizens with Developmental Disabilities as LCS's manager to assist LCS in administering its obligations under Agreement. The Company will provide the following services:

1. To provide a curator, a continuing tutor or services leading to curatorship ("guardianship services") for persons, property or both of adults with developmental disabilities in Louisiana who are in need of full or limited interdiction or continuing tutorship.
2. The Company will provide visits to the person at least monthly and make additional contacts as needed based on the person's needs and his individual Habilitation Plan (IHP)/Plan of Support. Caseload sizes must not exceed 35 persons served per guardian.
3. The guardian will make decisions, based on what is in the person's best interest.
4. The Company will act as limited or full curator to provide services pending approval of curatorship for a minimum of 110 persons who have been approved for services by LCS and up to a maximum caseload of 35 persons per guardian.

NOTE 1 – NATURE OF ACTIVITIES (CONTINUED)

Specific program objectives of DHH/OAAS (Department of Health and Hospitals-Office of Aging and Adult Services and Adult Protective Services) are to protect the rights and interests of mentally incapacitated persons in Louisiana with no one to make decisions on their behalf. Louisiana Clinical Services, Inc. (LCS) has appointed the Louisiana Department of Health and Hospitals, Office of Aging and Adult Services, Adult Protective Services, as LCS's manager to assist LCS in administering its obligations under Agreement. The company will provide the following services:

1. Upon the issuances of Letters of Curatorship or Continuing Tutorship, the Company will act as limited of full curator or continuing tutor for the persons, property, or both of adults in Louisiana with disabilities who have been approved for services by LCS.
2. Upon approval by the Social Security Administration, Veterans Administration, or other benefit providing entity, the Company shall provide money management services for adults with disabilities found to be in protective services who have been approved for services by LCS.
3. For "curatorship or continuing tutorship services," the Company will provide visits to the person at least monthly. A staff curator will attend all plan of care meetings on behalf of the client, make all decisions (residential, medical, financial, treatment, etc.) as authorized in the court's judgment;; monitor all care provided to the person; and provide a monthly report to Manager, and annual report to the court. (Depending on the interdict's financial situation and the court order in regard to handling finances, some of the duties listed below may apply.)
4. For "money management" services, client will agree to have Social Security or SSI benefits directly deposited into the Company's pooled client account, and agree to have all bills and expenses mailed to the Company's business address. The Company will pay client bills, as finances permit, with the Company's pooled client account Money Management Program checks and provide the client with appropriate spending allowances, as finances permit. The Company will stay in regular contact with other agencies' social workers assisting the client, who will bring emergency and extraordinary needs to the Company's attention.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The Company reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met by actions of the Company. These restrictions are considered to expire when payments for restricted purposes are met.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for the Company.

Uncertain Tax Positions - The Company recognizes the financial impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of June 30, 2014, the Company did not have any uncertain tax positions. Tax years ended June 30, 2011 and later remain subject to examination by taxing authorities.

Subsequent Events - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through November 21, 2014, which is the date the financial statements were available to be issued.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents - For purposes of the statement of cash flows, the Company considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets - All expenditures for leasehold improvements and equipment are capitalized.

Depreciation on leasehold improvements is provided by using the straight-line method over the estimated life of 10 years. Depreciation on equipment is provided by using the straight-line and the declining-balance method over the estimated useful lives of 5 to 7 years.

Income taxes - The Company is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Vested Annual Leave Benefits - Employees are entitled to paid vacations after six months of employment. Vacation time in excess of 160 hours cannot be accrued. Terminated employees will be paid for unused vacation leave if employed in excess of six months.

Vested annual leave benefits are accrued and recorded as a liability when such compensated absences become non-forfeitable. These amounts are not charged as program expenses of Federal government grants or agency contracts, and are treated as non-allowed costs, until they are paid.

Sick leave accrues at eight hours per month, or ninety-six hours per year. There is no maximum accumulated sick leave. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

NOTE 3 - GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE

The Company has incurred expenses on contracts open at June 30, 2014 and 2013, in excess of contract fees for services received at that date. A receivable has been recorded on these contracts for the excess expenses.

	<u>2014</u>	<u>2013</u>
State of Louisiana Office for Citizens With Developmental Disabilities	\$24,000	\$ 59,626
State of Louisiana Governor's Office of Elderly Affairs	<u>6,500</u>	<u>15,002</u>
	<u>\$30,500</u>	<u>\$ 74,628</u>

NOTE 4 - PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment represent acquisitions of tangible personal property by funds provided to the Company by a Federal government grant, a contract for services by an agency funded by the State of Louisiana, or by unrestricted funds of the Company. The Company has the right to use these assets in the programs for which they were acquired.

The U.S. Department of Health and Human Services (DHHS), and the State of Louisiana retain an equitable interest in these capital assets which must be used for the specified program for which they were acquired. DHHS and the State of Louisiana retain the right to require transfer of the assets back to the Federal or State governments, but this is normally exercised only if the program for which the assets were acquired would be transferred from one grantee to another.

Property, furniture, and equipment consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Equipment, furniture and fixtures	\$30,030	\$ 45,963
Leasehold improvements		637
	<u>30,030</u>	<u>46,660</u>
Less: accumulated depreciation	<u>(18,042)</u>	<u>(38,188)</u>
Net book value	<u>\$11,988</u>	<u>\$ 8,412</u>

Depreciation expense for the year ended June 30, 2014 and 2013 was \$ 3,182 and \$2,931 respectively.

NOTE 5 - LEASE COMMITMENTS

The Company leased office space for their main office in Metairie, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2014. The lease expires August 2016. Future minimum lease payments at June 30, 2014 are \$ 44,450.

Fiscal Year Ending

June 30,

2014 – 2015	\$19,530
2015 – 2016	21,360
2016 – 2017	<u>3,560</u>
	<u>\$44,450</u>

Rent expense incurred under this lease was \$ 20,760 for the year ended June 30, 2014.

NOTE 6 - FUNDS HELD IN ESCROW

This balance represents funds held in a separate Louisiana Guardianship Services, Inc., bank account for the client trust accounts. Deposits are made to this account of the client's personal funds (social security, etc.) and disbursements are drawn from this account for the client's living expenses. The funds in the bank account are the property of the client.

NOTE 7 - BANK LINE OF CREDIT

The Company has a bank line of credit which provides short-term borrowings up to \$30,000. Interest and principle on advances is payable monthly at the prime rate plus 2%. The outstanding balance is \$ 30,000 as of June 30, 2013 and was paid off as of June 30, 2014.

NOTE 8 - CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

The Company maintains its cash equivalents in financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On June 30, 2014 and 2013, the Company had no cash balances in excess of FDIC insured limits. The cash balances, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Company receives grants and contracts for services from government agencies, which comprises the majority of its revenue.

NOTE 9 - LITIGATION AND CLAIMS

There is no pending litigation against the Company at June 30, 2014. Furthermore, the Company's management believes that any potential lawsuits would be adequately covered by insurance.

NOTE 10 - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

SPECIAL REPORTS OF INDEPENDENT AUDITOR

Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette, III, CPA

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

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,
Louisiana Guardianship Services, Inc.

I 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 Louisiana Guardianship Services, Inc.(the Company)(a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 my report thereon dated November 21, 2014.

Internal Control Over Financial Reporting

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

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-1 and 2014-2.

The Company's Response to Findings

The Company's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Company's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

A handwritten signature in black ink, appearing to read 'Reginald A. Bresette, III', with a long horizontal line extending to the right.

Reginald A. Bresette, III LLC
Certified Public Accountant

November 21, 2014

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2014

I have audited the financial statements of Louisiana Guardianship Services Inc. (the Company) as of and for the year ended June 30, 2013, and have issued our report thereon dated November 21, 2014. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. My audit of the financial statements as of June 30, 2014, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses – None

Significant Deficiencies – Yes

Compliance

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2014-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. In this case I do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: I concur with the audit finding.

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2014

2014-2 Findings: My examination disclosed there is lack of segregation of duties within the organization. This weakness is due to the fact that the organization has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the organization has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. I recommend that the organization's finance committee and executive director continue to closely monitor all records and transactions.

Management's Response: The Company's executive director and board concur with the recommendation.

b. Federal Awards

Internal Control

Material Weaknesses – None

Reportable Conditions – None

Compliance

Compliance Material to Financial statements - No

Compliance Immaterial to Financial statements - No

Section II Financial Statement Findings

There were no financial statement findings during the fiscal year ended June 30, 2014.

Section III Federal Award Findings and Questioned Costs

None.

SPECIAL REPORTS OF MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2014

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control

Material Weaknesses – None

Responses – None

Compliance

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2013-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Statement on Auditing Standards (SAS) requires that we report the above condition as a control deficiency. SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the audit finding.

2013-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the organization's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The company's executive director and board concur with the recommendation.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, Louisiana Guardianship Services, Inc. had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2013.

MANAGEMENT CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2014

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Louisiana Guardianship Services, Inc. had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the financial statements.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, Louisiana Guardianship Services, Inc. had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2013.