

ADVANTAGES OF  
SOUTHEAST ARKANSAS, INC

AUDITOR'S REPORTS AND  
FINANCIAL STATEMENTS

JUNE 30, 2018

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
JUNE 30, 2018

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# SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Advantages of Southeast Arkansas, Inc.  
Monticello, Arkansas

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

We have audited the accompanying financial statements of Advantages of Southeast Arkansas, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 judgement, 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 Advantages of Southeast Arkansas, Inc. as of June 30, 2018, 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.

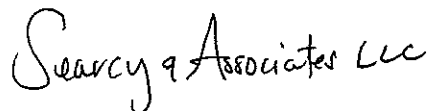
## Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Governmental Assistance, as required by the Arkansas Department of Human Services 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018, on our consideration of Advantages of Southeast Arkansas, 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 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 Advantages of Southeast Arkansas, Inc.'s internal control over financial reporting and compliance.



Searcy & Associates, LLC  
Monticello, Arkansas  
October 24, 2018

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash on Hand and in Demand Deposits	\$ 9,586,104
Certificates of Deposit	376,309
Accounts Receivable	983,753
Prepaid Insurance	55,942
Insurance Receivable	<u>11,696</u>
TOTAL CURRENT ASSETS	<u>\$11,013,804</u>

RESTRICTED ASSETS

Cash Restricted by Loan Covenants	74,072
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PROPERTY AND EQUIPMENT

Net of Accumulated Depreciation of \$1,713,542	3,888,839
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OTHER ASSETS

Utility Deposits	4,355
Investments	<u>20,310</u>
TOTAL OTHER ASSETS	<u>24,665</u>
TOTAL ASSETS	<u>\$15,001,380</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 58,150
Other Accrued Liabilities	138,031
Accrued Wages	198,901
Accrued Compensated Absences	145,385
Current Portion of Long Term Debt	<u>34,481</u>
TOTAL CURRENT LIABILITIES	<u>\$ 574,948</u>

LONG TERM LIABILITIES

Notes Payable (Net of Current Portion)	<u>\$ 2,291,693</u>
TOTAL LONG TERM LIABILITIES	<u>\$ 2,291,693</u>

TOTAL LIABILITIES	\$ 2,866,641
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NET ASSETS

Temporary Restricted Net Assets	74,072
Unrestricted	<u>12,060,667</u>
TOTAL NET ASSETS	<u>12,134,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$15,001,380</u>

SEE NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
STATEMENT OF ACTIVITY  
YEAR ENDED JUNE 30, 2018

UNRESTRICTED NET ASSETS BEGINNING OF YEAR	<u>\$ 10,985,502</u>
REVENUE	
Medicaid	\$ 8,813,361
Federal Programs	288,270
State Support	11,700
Daycare Fees	1,638
Donations	10,361
Interest	18,581
Grants	4,355
Other	<u>16,749</u>
TOTAL UNRESTRICTED REVENUE	<u>\$ 9,165,015</u>
EXPENSES	
Preschool	\$ 3,475,289
Adult Development	305,518
Waiver Supportive Living	<u>4,295,502</u>
TOTAL EXPENSES	<u>\$ 8,076,309</u>
OTHER INCOME/(LOSS)	
Loss on Casualty	<u>\$ (1,565)</u>
INCREASE IN NET ASSETS	\$ 1,087,141
Transfer to Restricted Assets	<u>(11,976)</u>
UNRESTRICTED NET ASSETS END OF PERIOD	<u>\$ 12,060,667</u>
BEGINNING TEMPORARY RESTRICTED ASSETS	
Increase in Restricted Assets	<u>\$ 62,096</u> <u>11,976</u>
TEMPORARY RESTRICTED NET ASSETS END OF PERIOD	<u>\$ 74,072</u>

SEE NOTES TO THE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase/(Decrease) in Net Assets	\$ 1,087,141
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
Depreciation	266,545
Loss on Casualty	1,565
(Increase)/Decrease in Accounts Receivable	(490,008)
(Increase)/Decrease Prepaid Expenses	(18,306)
(Increase)/Decrease in Other Assets	(20,000)
(Increase)/Decrease Insurance Receivable	(11,696)
Increase/(Decrease) in Accounts Payable	(4,688)
Increase/(Decrease) in Other Liabilities	27,240
Increase/(Decrease) in Accrued Wages	10,883
Increase/(Decrease) in Accrued Compensated Absences	2,635
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>\$ 851,311</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Insurance Settlement	\$ 10,461
Purchases of Property and Equipment	<u>(77,011)</u>
NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	<u>\$ (66,550)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Transfer Cash to Restricted Cash	\$ (11,976)
Repayment of Loan Proceeds	<u>(33,127)</u>
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	<u>\$ (45,103)</u>

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS \$ 739,658

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 8,846,446

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 9,586,104

SUPPLEMENTARY DISCLOSURES

Amounts Paid for Interest	\$ 93,773
Amounts Paid in Taxes	\$ 0

Noncash Investing and Financing Activities:

Grant Revenue Applied to Purchase of Van \$35,586

SEE NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Advantages of Southeast Arkansas, Inc. (Advantages) was incorporated as a nonprofit organization on April 29, 1971. Advantages is licensed by the Arkansas Department of Human Services - Division of Developmental Disability Services (DDS) and provides comprehensive programs of Pre-school, Adult Development Services, Family Support, Supportive Living, and Medicaid Waiver Services to its users.

Basis of Accounting

The financial statements of Advantages have been prepared on the accrual basis of accounting using the economic resources focus. Revenue, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place.

Basis of Presentation

Advantages presents its' financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 (formerly Statement of Financial Accounting Standards No. 117, "*Financial Statements of Not-For-Profit Organizations*"). Accordingly, Advantages reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash and Cash Equivalents

For purposes of the statement of cash flows the organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents except for restricted cash.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures in excess of \$500 are capitalized.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Equipment	3 to 10 years
Buildings	40 years
Transportation Equipment	5 years

Advantages capitalizes improvement to assets that extend the useful life of the underlying asset. All other expenses for repairs and maintenance are expensed. Depreciation for the year was \$278,665.



ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Accounts Receivable**

Accounts receivable are stated at the amount of unpaid balances. Advantages uses the direct write-off method for the recognition of bad debts. This is a departure from Generally Accepted Accounting Procedures (GAAP). However, based on prior experience the departure is not material to the financial statements as a whole.

**Income Taxes**

Advantages is a tax exempt organization under section 501(c)(3) of the Internal Revenue Code and an equivalent section of Arkansas law. Advantages does not engage in any unrelated income producing activity and, as a result, is not subject to Federal or State income tax.

**Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Compensated Absences**

Advantages' employment policies permit most employees to accumulate vacation and sick leave benefits. The expense resulting from these benefits are recognized when the benefits are earned.

**NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS**

Summary of Carrying Values:

Cash on Deposit and Certificates of Deposit \$9,217,170

These deposits are included in the following statement of net position captions:

Current Assets	\$9,143,098
Restricted Assets	<u>74,072</u>
	<u>\$9,217,170</u>

The following schedule reports the risk associated with deposits:

<u>Type of Deposit</u>	<u>Total</u>	<u>FDIC Insured</u>	<u>Secured by Pledged Securities</u>	<u>Not Secured</u>
Total Cash and Restricted Cash	<u>\$9,217,170</u>	<u>\$877,000</u>	<u>\$4,000,000</u>	<u>\$4,340,170</u>

The amount of net secured deposits represents custodial credit risk.

Custodial credit risk is the risk that, in the event of a bank failure, a depositor may not be able to retrieve the cash on deposit.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 3: RETIREMENT**

Advantages provides a defined contribution pension plan under IRS Code Section 401(k) for its employees. Eligible employees may enroll and make a payroll deferral contribution upon attaining the age of 18 and having completed three months service. Participants may defer from pre tax wages any amount up to the maximum limitation prescribed by IRS regulations. Advantages will match the participants' deferral by 200% up to a maximum match of 10% of wages.

Contributions made on behalf of an employee by Advantages is subject to a vesting schedule as follows:

<u>Years of Vesting Service</u>	<u>Percent Vested</u>
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

Employee deferrals and rollover contributions are 100% vested when made.

Plan investments are self directed by each participant.

The total retirement expense for the year ended June 30, 2018, was \$116,279.

**NOTE 4: CONCENTRATIONS**

Advantages is under contract with the Department of Human Services (DHS) for reimbursement of service expenses. This third party reimbursements accounts for 90% of the firm's revenue.

**NOTE 5: LONG TERM DEBT**

Advantages has a debt obligation to the USDA Rural Development payable in monthly installments of \$10,575, with an interest rate of 4%. The debt is secured by Mortgage in Real Estate.

Less Current Portion	\$2,326,174
Long Term Debt	<u>(34,481)</u>
	<u>\$2,291,693</u>

**Maturities of Long Term Debt**

2019	\$ 34,481
2020	35,886
2021	37,347
2022	38,889
2023	40,441
Thereafter	<u>2,139,130</u>
	<u>\$2,326,174</u>

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 6: PROPERTY PLANT AND EQUIPMENT**

Activity in property and equipment for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land Building and Improvements	\$4,065,469	\$ 0	\$ 0	\$4,065,469
Furniture and Fixtures	626,681	19,786	0	646,467
Transportation Equipment	<u>874,864</u>	<u>45,208</u>	<u>(29,627)</u>	<u>890,445</u>
Total	5,567,014	<u>64,994</u>	<u>(29,627)</u>	5,602,381
Accumulated Depreciation	<u>(1,475,057)</u>	<u>(266,545)</u>	<u>28,060</u>	<u>(1,713,542)</u>
Land Building and Improvements	<u>\$4,091,957</u>			<u>\$3,888,839</u>

**NOTE 7: EQUITY INVESTMENT**

Advantages of Southeast Arkansas, Inc. is a member of Arkansas Provider Coalition, LLC, a limited liability company organized in April 17, 2017 in the state of Arkansas to serve as a network of providers for individuals with significant behavioral health needs and individuals with intellectual or developmental disabilities. The investment in Arkansas Provider Coalition was recorded at cost and the carrying amount is increased or decreased with Advantage's proportionate share of the profits and losses, using the equity method of accounting.

**NOTE 8: SUBSEQUENT EVENTS**

Subsequent events were evaluated through October 24, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
STATEMENT OF PROGRAM COSTS  
YEAR ENDED JUNE 30, 2018

	<u>Preschool</u>	<u>Adult Development</u>	<u>Waiver Supportive Living</u>	<u>Total</u>
Salaries	\$ 2,279,171	\$ 186,927	\$3,583,596	\$6,049,694
Fringe	311,281	24,118	488,553	823,952
Repairs and Maintenance	44,693	6,684	5,351	56,728
Office Expense	24,407	2,997	16,598	44,002
Utilities	37,501	7,241	6,437	51,179
Insurance	17,965	3,475	12,156	33,596
Telephone	28,198	5,702	26,585	60,485
Audit	4,085	800	5,800	10,685
Subscriptions/Dues	3,554	1,247	4,469	9,270
Computer Support	6,633	1,432	11,962	20,027
Program Expense	134,613	7,406	31,756	173,775
Transportation	66,524	32,201	48,428	147,153
Food	168,883	20,010	0	188,893
Travel	8,890	1,613	9,504	20,007
Family Support	0	400	10,300	10,700
Depreciation	236,752	2,546	27,247	266,545
Miscellaneous	8,366	719	6,760	15,845
Interest	<u>93,773</u>	<u>0</u>	<u>0</u>	<u>93,773</u>
<b>TOTAL</b>	<b><u>\$ 3,475,289</u></b>	<b><u>\$ 305,518</u></b>	<b><u>\$4,295,502</u></b>	<b><u>\$8,076,309</u></b>

SEE NOTES TO FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
 SCHEDULE OF GOVERNMENTAL ASSISTANCE  
 YEAR ENDED JUNE 30, 2018

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<u>CFDA Number</u>	<u>Pass-Through Federal Expenditures</u>
<b>Department of Education</b>		
Passed-Through Arkansas Department of Human Services Arkansas Department of Human Services Special Education_Grants to States	84.027	\$ 16,731
<b>Department of Health and Human Services</b>		
Passed -Through Arkansas Department of Human Services Arkansas Department of Human Services Social Services Block Grant	93.667	<u>\$ 8,500</u>
<i>Total Passed-Through Social Services Block Grant</i>		<u>\$ 8,500</u>
<i>Total Department of Health and Human Services</i>		<u>\$ 8,500</u>
<b>United States Department of Agriculture Child and Adult Care Food Programs</b>		
Passed-Through Arkansas Department of Human Services Arkansas Department of Human Services Child and Adult Care Food Program	10.558	<u>\$227,452</u>
<i>Total Passed-Through Arkansas Department of Human Services</i>		<u>\$227,452</u>
<i>Total United States Department of Agriculture</i>		<u>\$227,452</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$252,683</u>
<b>State Grantor or Agency/Program Name</b>		
<u>Arkansas Department of Health and Human Services:</u>		
DDS Grant-in-Aid	N/A	\$ 11,700
Total State Awards		<u>\$ 11,700</u>
Total Federal and State Awards		<u>\$264,383</u>

The Center also received \$8,267,527 through the Medicaid program.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
SCHEDULE OF UNITS OF SERVICE  
FOR THE YEAR ENDED JUNE 30, 2018

Child and Adult Care Food Program

	<u>Breakfast</u>	<u>Lunch</u>	<u>Supplement</u>
Total	<u>34,268</u>	<u>40,105</u>	<u>33,949</u>

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
SCHEDULE OF SUPPLEMENTARY DATA  
YEAR ENDED JUNE 30, 2018

Advantages of Southeast Arkansas, Inc.  
P. O. Box 359  
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71-0422142

Deanna Doherty, Director

870/367-6825



# SEARCY & ASSOCIATES, LLC

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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  
Advantages of Southeast Arkansas, Inc.  
Monticello, Arkansas

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 Advantages of Southeast Arkansas, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 October 24, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Advantages of Southeast Arkansas, 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 Advantages of Southeast Arkansas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

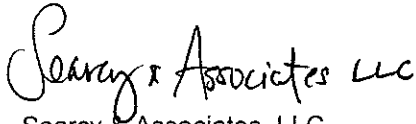
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advantages of Southeast Arkansas, 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*.

## 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.

  
Searcy & Associates, LLC  
October 24, 2018

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2018

PRIOR FINDING

ACTION TAKEN

None

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS

QUESTIONED COSTS

None