

ADVANTAGES OF
SOUTHEAST ARKANSAS, INC

AUDITOR'S REPORTS AND
FINANCIAL STATEMENTS

JUNE 30, 2019

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
JUNE 30, 2019

INDEX

Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-11
Supplementary Information	
Schedule of Expenditures of Federal Awards	12
Schedule of Units of Service	13
Schedule of Supplementary Data	14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based in an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16
Schedule of Prior Audit Findings	17
Schedule of Findings and Responses	18

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
CHARLES SEARCY, C.P.A.
TINA MARTIN, C.P.A.

POST OFFICE BOX 418
MONTICELLO, ARKANSAS 71657
(870)367-3580 or (870)367-3467
FAX (870)367-2154
searcyco@ccc-cable.net

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, 2019, 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. 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, 2019, 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 November 22, 2019, 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

Searcy & Associates, LLC
Monticello, Arkansas
November 22, 2019

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets

Cash	\$ 8,368,124
Certificates of Deposit	2,394,182
Accounts Receivable	1,145,742
Grants Receivable	28,624
Prepaid Expenses	<u>66,540</u>
Total Current Assets	<u>\$12,003,212</u>

Property and Equipment

Buildings and Improvements	\$ 4,622,831
Furniture, Fixtures and Vehicles	1,566,736
Less: Accumulated Depreciation	<u>(1,902,545)</u>
Total Property and Equipment	<u>\$ 4,287,022</u>

Other Assets

Long Term Investments	20,310
Cash Restricted for Loan Covenants	87,170
Deposits	<u>5,485</u>
Total Other Assets	<u>112,965</u>
Total Assets	<u><u>\$16,403,199</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 71,005
Payroll Liabilities	52,073
Compensated Absences	111,723
Accrued Salaries	364,323
Current Portion of Long Term Debt	<u>35,886</u>
Total Current Liabilities	<u>\$ 635,010</u>

Long Term Liabilities

Notes Payable (Net of Current Portion)	<u>\$ 2,255,811</u>
Total Liabilities	<u>\$ 2,890,821</u>

Net Assets

Without Donor Restrictions	
USDA Debt Reserves	\$ 87,170
Undesignated	<u>13,425,208</u>
Total Net Assets	<u>13,512,378</u>
Total Liabilities and Net Assets	<u><u>\$16,403,199</u></u>

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

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
STATEMENT OF ACTIVITY
YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>
Revenues Gains and Other Support	
Contracted Services, Medicaid	\$ 9,385,205
Grants	325,518
Contributions	4,053
Other Income	22,362
Gain on Sale	989
Interest Income	<u>93,861</u>
Total Revenue, Gains, and Other Support	<u>\$ 9,831,988</u>
Expenses	
Program Services	
Preschool	\$ 3,013,906
Adult Development	322,066
Waiver Supportive Living	<u>4,252,359</u>
Total Program Services	<u>\$ 7,588,331</u>
Supporting Services	
Management and General	<u>866,018</u>
Total Supporting Services	866,018
Total Expenses	<u>\$ 8,454,349</u>
Change in Net Assets	1,377,639
Net Assets at Beginning of Year	<u>12,134,739</u>
Net Assets at End of Year	<u>\$13,512,378</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, 2019

Cash Flows from Operating Activities	\$ 1,377,639
Increase/(Decrease) in Net Assets	\$ 1,377,639
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
Depreciation	257,180
Gain on Sale	(989)
Grant Revenue	(40,080)
(Increase)/Decrease in Accounts Receivable	(190,614)
(Increase)/Decrease Prepaid Expenses	(11,728)
Increase/(Decrease) in Accounts Payable	12,855
Increase/(Decrease) in Payroll Liabilities	(85,959)
Increase/(Decrease) in Accrued Salaries	165,423
Increase/(Decrease) in Accrued Compensated Absences	(33,662)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,450,065</u>
 Cash Flows from Investing Activities	
Purchase of Hamburg Building	\$ (464,114)
Purchase of Vans	(30,020)
Purchase of Equipment	(30,734)
Purchases of Improvements	(90,827)
Net Cash (Provided)/Used by Investing Activities	<u>\$ (615,695)</u>
 Cash Flows from Financing Activities	
Repayment of Loan Principle	\$ (34,477)
Net Cash (Provided)/Used by Financing Activities	<u>\$ (34,477)</u>
 Net (Increase)/Decrease in Cash	 \$ 799,893
 Cash at Beginning of Year	 <u>9,962,413</u>
 Cash at End of Year	 <u><u>\$ 10,762,306</u></u>

SUPPLEMENTARY DISCLOSURES

Interest \$92,423

Noncash Investing Activities:

Grant Revenue Applied to Purchase of Vehicle \$40,080

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

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Total</u>	<u>Supporting</u>	<u>Program Services</u>		
		<u>Management and General</u>	<u>Preschool</u>	<u>Adult</u>	<u>Waiver</u>
Salaries	\$6,300,907	\$ 427,912	\$2,042,159	\$170,534	\$3,660,302
Fringe Benefits	846,033	67,682	253,810	16,921	507,620
Repairs and Maintenance	97,789	11,950	51,545	34,294	0
Office Expense	40,183	40,183	0	0	0
Insurance	39,471	6,205	27,371	5,895	0
Telephone/Internet	60,856	60,856	0	0	0
Professional Services	10,250	10,250	0	0	0
Dues & Subscriptions	13,378	13,378	0	0	0
Computer Support	76,060	76,060	0	0	0
Program Expense	142,907	58	105,340	6,348	31,161
Transportation	163,968	16,629	70,316	35,368	41,655
Food Service	208,785	0	184,360	24,425	0
Travel	28,749	21,447	556	1,049	5,697
Family Support	4,700	0	0	0	4,700
Depreciation Expense	257,180	8,226	230,404	17,326	1,224
Miscellaneous	8,981	6,843	2,138	0	0
Interest	92,423	92,423	0	0	0
Utilities	<u>61,729</u>	<u>5,916</u>	<u>45,907</u>	<u>9,906</u>	<u>0</u>
TOTAL	<u>\$8,454,349</u>	<u>\$ 866,018</u>	<u>\$3,013,906</u>	<u>\$322,066</u>	<u>\$4,252,359</u>

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

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Method 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

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits in the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of operations.

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 \$257,180.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Accounts Receivable

Accounts receivable represent amounts that have been billed under agency contracts but not collected as of the financial statements. All accounts receivable represent amounts owed by state governmental agencies. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2019, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated to the programs and supporting services benefitted. The expenses that are allocated include occupancy and depreciation. Personnel costs, professional services, office expenses, information technology, insurance and other are allocated on the basis of estimates of time and effort. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses included those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS

Summary of Carrying Values:

Cash on Deposit and Certificates of Deposit \$10,849,476

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

Current Assets	\$10,762,306
Restricted Assets	<u>87,170</u>
	<u>\$10,849,476</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>\$10,865,257</u>	<u>\$904,826</u>	<u>\$4,000,000</u>	<u>\$5,960,431</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.

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, 2019, was \$96,269.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4: CONCENTRATIONS

Advantages is under contract with the Department of Human Services (DHS) for reimbursement of service expenses. These third party reimbursements account 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.	\$2,291,697
Less Current Portion	<u>(35,886)</u>
Long Term Debt	<u>\$2,255,811</u>

Maturities of Long Term Debt

2020	\$	35,886
2021		37,347
2022		38,889
2023		40,441
2024		42,089
Thereafter		<u>2,097,045</u>
		<u>\$2,291,697</u>

NOTE 6: PROPERTY AND EQUIPMENT

Activity in property and equipment for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land, Building, and Improvements	\$4,065,469	\$ 557,362	\$ 0	\$4,622,831
Furniture and Fixtures	646,467	29,413	(31,828)	644,052
Transportation Equipment	<u>890,445</u>	<u>70,100</u>	<u>(37,861)</u>	<u>922,684</u>
Total	5,602,381	<u>656,875</u>	<u>(69,689)</u>	6,189,567
Accumulated Depreciation	<u>(1,713,542)</u>	<u>(257,180)</u>	<u>68,177</u>	<u>(1,902,545)</u>
Total Property and Equipment	<u>\$3,888,839</u>			<u>\$4,287,022</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.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 8: CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and had adjusted the presentation in these financial statements accordingly.

The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 9).

NOTE 9: AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following represents the Association's financial assets at June 30, 2019.

Financial assets at year end:	
Cash and Cash Equivalents	\$ 8,455,294
Accounts Receivable	1,145,742
Grants Receivable	28,624
Certificates of Deposit	<u>2,394,182</u>
Total Financial Assets	<u>\$12,023,842</u>
Less amounts not available to be used within one year:	
Certificates of Deposits not Cash Equivalents	\$ 2,394,182
USDA Reserve	<u>87,170</u>
	\$ 2,481,352
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,542,490</u>

NOTE 10: SUBSEQUENT EVENTS

Subsequent events were evaluated through November 22, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2019

Federal Grantor/Program or Cluster Title	Federal CFDA	Pass-Through Grantor and Number	Federal Expenditures
477 Cluster-Cluster			
Department of Health and Human Services Child Care Mandatory and Matching Funds of the Child Care and Development Fund Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Arkansas Department of Human Services	\$ 793
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			<u>793</u>
Total Department of Health and Human Services			<u>793</u>
Total 477 Cluster-Cluster			<u>793</u>
CCDF Cluster-Cluster			
Department of Health and Human Services Child Care and Development Block Grant Child Care and Development Block Grant	93.575	Arkansas Department of Human Services	<u>2,955</u>
Total Child Care and Development Block Grant			<u>2,955</u>
Total Department of Health and Human Services			<u>2,955</u>
Total CCDF Cluster-Cluster			<u>2,955</u>
Special Education Cluster (IDEA)-Cluster			
Department of Education Special Education_Grants to States Special Education_Grants to States	84.027	Arkansas Department of Human Services	<u>13,392</u>
Total Special Education_Grants to States			<u>13,392</u>
Total Department of Education			<u>13,392</u>
Total Special Education Cluster (IDEA)-Cluster			<u>13,392</u>
Other Programs			
Department of Health and Human Services Social Services Block Grant Social Services Block Grant	93.667	Arkansas Department of Human Services	<u>5,648</u>
Total Social Services Block Grant			<u>5,648</u>
Money Follows the Person Rebalancing Demonstration Money Follows the Person Rebalancing Demonstration	93.791	Arkansas Department of Human Services	<u>849</u>
Total Money Follows the Person Rebalancing Demonstration			<u>849</u>
Total Department of Health and Human Services			<u>6,497</u>
United States Department of Agriculture Child and Adult Care Food Program Child and Adult Care Food Program	10.558	Arkansas Department of Human Services	<u>251,228</u>
Total Child and Adult Care Food Program			<u>251,228</u>
Total United States Department of Agriculture			<u>251,228</u>
Total Other Programs			<u>257,725</u>
Total Expenditures of Federal Awards			<u>\$274,865</u>

The Center also received \$7,657,613 through the Medicaid program.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF UNITS OF SERVICE
FOR THE YEAR ENDED JUNE 30, 2019

Child and Adult Care Food Program

	<u>Breakfast</u>	<u>Lunch</u>	<u>Supplement</u>
Total	<u>37,591</u>	<u>44,134</u>	<u>37,327</u>

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF SUPPLEMENTARY DATA
YEAR ENDED JUNE 30, 2019

Advantages of Southeast Arkansas, Inc.
P. O. Box 359
Monticello, Arkansas, 71657

71-0422142

Deanna Doherty, Director

870/367-6825

SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.
CHARLES SEARCY, C.P.A.
TINA MARTIN, C.P.A.

POST OFFICE BOX 418
MONTICELLO, ARKANSAS 71657
(870)367-3580 or (870)367-3467
FAX (870)367-2154
searcyco@ccc-cable.net

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, 2019, 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 November 20, 2019.

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.

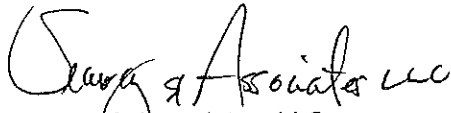
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not 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
November 22, 2019

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

PRIOR FINDING

None

ACTION TAKEN

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS

QUESTIONED COSTS

None