

ADVANTAGES OF
SOUTHEAST ARKANSAS, INC

AUDITOR'S REPORTS AND
FINANCIAL STATEMENTS

JUNE 30, 2020

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
JUNE 30, 2020

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SEARCY & ASSOCIATES, LLC

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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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

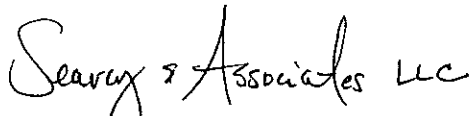
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of 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 27, 2020, 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 27, 2020

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets

Cash	\$ 4,072,987
Certificates of Deposit	6,499,590
Accounts Receivable, net	1,084,823
Grants Receivable	8,202
Prepaid Expenses	<u>74,409</u>
Total Current Assets	\$11,740,011

Property and Equipment

Construction in Progress	\$ 568,500
Buildings and Improvements	4,677,672
Furniture, Fixtures and Vehicles	1,367,286
Less: Accumulated Depreciation	<u>(1,859,620)</u>
Total Property and Equipment	\$ 4,753,838

Other Assets

Long Term Investments	20,310
Cash Restricted for Loan Covenants	100,334
Deposits	<u>5,415</u>
Total Other Assets	<u>126,059</u>
Total Assets	<u>\$16,619,908</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 48,089
Payroll Liabilities	63,325
Compensated Absences	117,663
Accrued Salaries	410,797
Medicaid Payable	74,992
Refundable Advance	36,937
Current Portion of Long Term Debt	<u>37,337</u>
Total Current Liabilities	\$ 789,140

Long Term Liabilities

Notes Payable (Net of Current Portion)	\$ <u>2,218,479</u>
Total Liabilities	\$ 3,007,619

Net Assets

Without Donor Restrictions	
USDA Debt Reserves	\$ 100,334
Undesignated	<u>13,511,955</u>
Total Net Assets	<u>13,612,289</u>
Total Liabilities and Net Assets	<u>\$16,619,908</u>

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

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
STATEMENT OF ACTIVITY
YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>
Revenues Gains and Other Support	
Contracted Services, Medicaid Program Revenue	\$ 7,671,513
Grants	56,061
Contributions	234,711
Other Income	5,557
Gain/(Loss) on Sale	10,523
Insurance Proceeds	(20,522)
Interest Income	52,425
	<u>98,294</u>
Total Revenue, Gains, and Other Support	<u>\$ 8,108,562</u>
Expenses	
Program Services	
Preschool	\$ 2,813,979
Adult Development	253,758
Waiver Supportive Living	<u>3,941,717</u>
Total Program Services	<u>\$ 7,009,454</u>
Supporting Services	
Management and General	<u>999,197</u>
Total Supporting Services	999,197
Total Expenses	<u>\$ 8,008,651</u>
Change in Net Assets	99,911
Net Assets at Beginning of Year	<u>13,512,378</u>
Net Assets at End of Year	<u>\$13,612,289</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, 2020

Cash Flows from Operating Activities

Increase/(Decrease) in Net Assets	\$ 99,911
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided/(Used) by Operating Activities:	
Depreciation	259,189
Loss on Sale	20,522
Bad Debt Expense	139,999
(Increase)/Decrease in Accounts Receivable	(58,658)
(Increase)/Decrease Prepaid Expenses	(7,799)
Increase/(Decrease) in Accounts Payable	(22,915)
Increase/(Decrease) in Other Liabilities	111,929
Increase/(Decrease) in Payroll Liabilities	11,252
Increase/(Decrease) in Accrued Salaries	46,474
Increase/(Decrease) in Accrued Compensated Absences	5,940
Net Cash Provided/(Used) by Operating Activities	<u>\$ 605,844</u>

Cash Flows from Investing Activities

Construction in Progress	\$ (568,500)
Purchase of Vans	(90,118)
Purchase of Equipment	(38,738)
Purchases of Improvements	(57,543)
Proceeds from Sale of Assets	8,369
Net Cash (Provided)/Used by Investing Activities	<u>\$ (746,530)</u>

Cash Flows from Financing Activities

Repayment of Loan Principle	\$ (35,881)
Net Cash (Provided)/Used by Financing Activities	<u>\$ (35,881)</u>

Net Decrease in Cash, Cash Equivalents and Restricted Cash \$ (176,567)

Cash, Cash Equivalents and Restricted Cash at Beginning of Year 10,849,478

Cash, Cash Equivalents and Restricted Cash at End of Year \$ 10,672,911

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

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2020

	<u>Total</u>	<u>Supporting</u>	<u>Program Services</u>		
		<u>Management</u> <u>and General</u>	<u>Preschool</u>	<u>Adult</u>	<u>Waiver</u>
Salaries	\$5,817,742	\$ 450,205	\$1,909,168	\$146,957	\$3,311,412
Fringe Benefits	894,804	67,531	233,987	20,946	572,340
Repairs and Maintenance	63,346	10,530	47,843	4,973	0
Office Expense	49,194	49,194	0	0	0
Insurance	53,911	6,887	41,024	6,000	0
Telephone/Internet	64,431	25,169	31,718	7,544	0
Professional Services	10,250	10,250	0	0	0
Dues & Subscriptions	9,546	9,546	0	0	0
Computer Support	52,703	52,703	0	0	0
Program Expense	62,115	13,524	34,417	5,518	8,656
Transportation	145,194	26,535	67,225	19,158	32,276
Food Service	180,766	0	159,590	21,176	0
Travel	21,228	14,587	927	1,670	4,044
Family Support	12,968	0	200	980	11,788
Depreciation Expense	259,189	21,050	228,498	8,440	1,201
Miscellaneous	4,390	4,390	0	0	0
Interest	91,019	91,019	0	0	0
Bad Debt	139,999	139,999	0	0	0
Utilities	<u>75,856</u>	<u>6,078</u>	<u>59,382</u>	<u>10,396</u>	<u>0</u>
TOTAL	<u>\$8,008,651</u>	<u>\$ 999,197</u>	<u>\$2,813,979</u>	<u>\$253,758</u>	<u>\$3,941,717</u>

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

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 \$259,189.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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. The carrying amount of accounts receivable is reduced by an allowance for doubtful accounts that reflects Management's best estimate of the amounts that will not be collected. Receivables are written off as a charge to the allowance for credit losses when, in Management's estimation, it is probable that the receivable is worthless. At June 30, 2020 the allowance for doubtful accounts was \$139,999.

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.

Date of Management Review

Subsequent events were evaluated through October 27, 2020, which is the date the financial statements were available to be issued.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 2: DEPOSITS WITH FINANCIAL INSTITUTIONS

Summary of Carrying Values:

Cash on Deposit and Certificates of Deposit \$10,672,911

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

Current Assets	\$10,572,577
Restricted Assets	<u>100,334</u>
	<u>\$10,672,911</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>\$10,652,997</u>	<u>\$935,880</u>	<u>\$8,000,000</u>	<u>\$1,717,117</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, 2020, was \$95,216.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.
Less Current Portion
Long Term Debt

\$2,255,816
(37,337)
\$2,218,479

Maturities of Long Term Debt

2021	\$ 37,337
2022	38,889
2023	40,441
2024	42,089
2025	43,803
Thereafter	<u>2,053,257</u>
	<u>\$2,255,816</u>

NOTE 6: PROPERTY AND EQUIPMENT

Activity in property and equipment for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land, Building, and Improvements	\$4,622,831	\$ 57,543	\$ (2,702)	\$4,677,672
Furniture and Fixtures	644,052	33,335	(51,645)	625,742
Transportation Equipment	<u>922,684</u>	<u>90,118</u>	<u>(271,258)</u>	<u>741,544</u>
Total	6,189,567	<u>180,996</u>	<u>(325,605)</u>	6,044,958
Accumulated Depreciation	<u>(1,902,545)</u>	<u>(259,189)</u>	<u>302,114</u>	<u>(1,859,620)</u>
Total Property and Equipment	<u>\$4,287,022</u>			<u>\$4,185,338</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, 2020

NOTE 8: AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The following represents the Association's financial assets at June 30, 2020.

Financial assets at year end:	
Cash and Cash Equivalents	\$ 4,072,987
Accounts Receivable	1,084,823
Grants Receivable	8,202
Certificates of Deposit	<u>6,599,924</u>
Total Financial Assets	<u>\$11,765,936</u>
Less amounts not available to be used within one year:	
Certificates of Deposits not Cash Equivalents	\$ 6,499,590
USDA Reserve	<u>100,334</u>
	<u>\$ 6,599,924</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,166,012</u>

NOTE 9: REFUNDABLE ADVANCES

The Organization has elected to account for certain conditional contributions in accordance with FASB ASC 958-605, Not-for-Profit Entities - Revenue Recognition. Under FASB ASC 958-605, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If the contribution is conditional, it is not recognized until the conditions are substantially met or explicitly waived.

The Arkansas Ready for Business grant proceeds were received to help cover costs of COVID-19 related costs of ensuring the health and safety of employees and patrons at Arkansas companies. The Organization received direct payments from the CARES Act through Arkansas Economic Development Commission. Proceeds must be used by December 31, 2020. If proceeds are not fully utilized to purchase Personal Protective Equipment or other direct COVID-19 related expenses, then excess funds will be payable to AEDC. As of June 30, 2020, the Organization had unused funds of \$36,937.

NOTE 10: FUTURE CHANGE IN ACCOUNTING PRINCIPLES

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 31, 2018, and any interim periods within annual reporting periods that begin after December 31, 2019. The Organization feels there will be no material impacts on financial statement reporting.

In response to the impact of the COVID -19 pandemic, the FASB issued Accounting Standards Update(ASU) No. 2020-05, Revenue from Contracts with Customers which defers for one year the mandatory effective date of ASU 2014-09, Revenue from contracts with customers.

SUPPLEMENTARY INFORMATION

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2020

Federal Grantor/Program or Cluster Title	Federal CFDA	Pass-Through Grantor and Number	Federal Expenditures
<u>477 Cluster-Cluster</u>			
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	\$ 2,742
Total Department of Health and Human Services			<u>2,742</u>
Total 477 Cluster-Cluster			<u>2,742</u>
<u>CCDF Cluster-Cluster</u>			
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>18,053</u>
Total Department of Health and Human Services			<u>18,053</u>
Total CCDF Cluster-Cluster			18,053
<u>Special Education Cluster (IDEA)-Cluster</u>			
Department of Education Special Education_Grants to States			
Special Education_Grants to States	84.027	Arkansas Department of Human Services	<u>1,596</u>
Total Department of Education			<u>1,596</u>
Total Special Education Cluster (IDEA)-Cluster			1,596
<u>Other Programs</u>			
Department of Health and Human Services Social Services Block Grant			
Social Services Block Grant	93.667	Arkansas Department of Human Services	<u>8,653</u>
Total Social Services Block Grant			<u>8,653</u>
Total Department of Health and Human Services			8,653
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>157,717</u>
Total United States Department of Agriculture			<u>157,717</u>
Total Other Programs			<u>166,370</u>
Total Expenditures of Federal Awards			<u>\$188,761</u>

The Center also received \$7,671,513 through the Medicaid program.

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF UNITS OF SERVICE
FOR THE YEAR ENDED JUNE 30, 2020

Child and Adult Care Food Program

	<u>Breakfast</u>	<u>Lunch</u>	<u>Supplement</u>
Total	<u>22,840</u>	<u>28,127</u>	<u>22,654</u>

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF SUPPLEMENTARY DATA
YEAR ENDED JUNE 30, 2020

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

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, 2020, 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 27, 2020.

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.

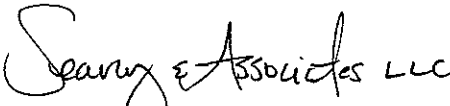
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not 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 27, 2020

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020

PRIOR FINDING

None

ACTION TAKEN

ADVANTAGES OF SOUTHEAST ARKANSAS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020

CURRENT YEAR FINDINGS

QUESTIONED COSTS

None