

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

FINANCIAL STATEMENTS

JUNE 30, 2018

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
HANNIBAL, MISSOURI

NORTHEAST INDEPENDENT LIVING SERVICES

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CERTIFIED PUBLIC ACCOUNTANTS

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NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

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JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NorthEast Independent Living Services
Hannibal, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of NorthEast Independent Living Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NorthEast Independent Living Services 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2018 on our consideration of NorthEast Independent Living Services' 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 solely 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 effectiveness of NorthEast Independent Living Services' 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 NorthEast Independent Living Services' internal control over financial reporting and compliance.

Respectfully submitted,

Luck, Humphreys and Associates

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.
Certified Public Accountants
Hannibal, Missouri

September 7, 2018

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2018

ASSETS

Current Assets:

Cash	\$ 643,465.77	
Accounts receivable	<u>142,951.30</u>	
<u>Total Current Assets</u>		\$ 786,417.07

Fixed Assets:

Furniture and fixtures	\$ 117,565.76	
Equipment	435,201.06	
Buildings and improvements	<u>1,491,078.38</u>	
<u>Total Fixes Assets</u>	\$2,043,845.20	
Less: Accumulated depreciation	<u>(962,502.43)</u>	
<u>Book Value</u>		1,081,342.77

Other Assets:

Closing costs (net of amortization)		<u>6,549.24</u>
<u>Total Assets:</u>		<u>\$1,874,309.08</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 52,758.89	
Payroll taxes payable	2,631.90	
Current portion of debt	<u>24,259.12</u>	
<u>Total Current Liabilities</u>		\$ 79,649.91

Long-Term Debt

		<u>439,431.24</u>
<u>Total Liabilities</u>		\$ 519,081.15

Net Assets:

Unrestricted	<u>\$1,355,227.93</u>	
<u>Total Net Assets</u>		<u>1,355,227.93</u>

<u>Total Liabilities and Net Assets</u>		<u>\$1,874,309.08</u>
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The accompanying notes to financial statements are an integral part of this financial statement.

NORTHEAST INDEPENDENT LIVING SERVICES
HANNIBAL, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018

Unrestricted Net Assets:

<u>Increase in Unrestricted Net Assets – Program Revenue</u>		\$2,147,974.98
<u>Functional Expenses:</u>		
Program services	\$2,097,100.96	
Management and general	93,192.55	
Fundraising	----	
<u>Decrease in Unrestricted Net Assets</u>		<u>2,190,293.51</u>
<u>Operating Revenue</u>		\$ (42,318.53)
<u>Other Income:</u>		
Rental income	\$ 38,000.00	
Other income including donations	5,965.57	
<u>Total Other Income</u>		<u>43,965.57</u>
<u>Increase (Decrease) in Unrestricted Net Assets</u>		\$ 1,647.04
<u>Net Assets, Beginning of Year</u>		<u>1,353,580.89</u>
<u>Net Assets, End of Year</u>		<u>\$1,355,227.93</u>

The accompanying notes to financial statements are an integral part of this financial statement.

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:

Increase in net assets	\$ 1,647.04	
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	75,202.00	
Decrease in accounts receivable	33,296.82	
Decrease in accounts payable	(11,064.25)	
Decrease in payroll taxes payable	<u>(1,566.93)</u>	
<u>Net Cash Provided by Operating Activities</u>		\$ 97,514.68

Cash Flows from Investing Activities:

Acquisition of fixed assets	\$ (8,575.17)	
<u>Net Cash Provided (Used) by Investing Activities</u>		(8,575.17)

Financing Activities:

New borrowings	\$ ----	
Debt reduction	<u>(24,909.26)</u>	
<u>Net Cash Provided (Used) by Financing Activities</u>		<u>(24,909.26)</u>

Increase (Decrease) in Cash \$ 64,030.25

Cash, July 1, 2017 579,435.52

Cash, June 30, 2018 \$643,465.77

Supplemental Data:

Interest paid	<u>\$ 24,086.44</u>	
Income tax paid	<u>\$ ----</u>	

Non-Cash Activities None

The accompanying notes to financial statements are an integral part of this financial statement.

NORTHEAST INDEPENDENT LIVING SERVICES
HANNIBAL, MISSOURI
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE TWELVE MONTHS ENDED JUNE 30, 2018

	Program Services	Management and General	Fund Raising	Total
Wages	\$ 521,743.30	\$17,364.10	\$ ----	\$ 539,107.40
Fringe benefits	70,871.00	2,358.64	----	73,229.64
Payroll tax expense	45,242.07	1,505.70	----	46,747.77
Insurance	----	34,403.00	----	34,403.00
Depreciation and amortization	75,202.00	----	----	75,202.00
Operating supplies	----	13,865.33	----	13,865.33
Travel	11,860.75	----	----	11,860.75
Client assistance	----	7,607.81	----	7,607.81
Professional fees	----	9,500.00	----	9,500.00
Telephone and utilities	32,070.32	----	----	32,070.32
Postage	----	2,741.77	----	2,741.77
Training and education	175.00	----	----	175.00
Advertising	14,541.65	----	----	14,541.65
Dues and journals	----	3,846.20	----	3,846.20
Maintenance and repairs	19,119.23	----	----	19,119.23
Payroll processing	1,282,189.20	----	----	1,282,189.20
Interest expense	<u>24,086.44</u>	<u>----</u>	<u>----</u>	<u>24,086.44</u>
<u>Total Functional Expenses</u>	<u>\$2,097,100.96</u>	<u>\$93,192.55</u>	<u>\$ ----</u>	<u>\$2,190,293.51</u>

The accompanying notes to financial statements are an integral part of this financial statement.

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. Organization and Summary of Significant Accounting Policies:

NorthEast Independent Living Services is organized under the Missouri Nonprofit Corporation law. The Agency has been established to promote the general welfare of persons with disabilities. The Agency is governed by a board of directors.

The summary of significant accounting policies of NorthEast Independent Living Services is presented to assist in understanding the Agency's financial statements. The financial statements and notes are representations of the Agency's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred.

Net Assets

Net assets of the Agency and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time. The Agency currently has no temporarily restricted net assets.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Agency. The Agency currently has no permanently restricted net assets.

Contributions

The Agency follows Accounting Standards Codification 605-10-15 *Revenue Recognition*. In accordance with ASC 605-10-15, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(CONTINUED)

1. Organization and Summary of Significant Accounting Policies: (Continued)

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to the Agency.

Cash and Cash Equivalents

Cash equivalents consist of short-term investments which are readily convertible into cash within ninety (90) days of purchase.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

The balance of accounts receivable as presented on the balance sheet is considered to be fully collectible by the Agency. No provision has been calculated for uncollectible amounts.

Compensated Absences

NorthEast Independent Living Services has not accrued compensated absences because the amount cannot be reasonably determined. Any amounts paid are expensed at the time of payment. It is estimated the total amount would be immaterial to the financial statements.

Property and Equipment

Property and equipment are carried at cost. Depreciation of property and equipment is provided using the straight-line method over estimated useful lives ranging from five to ten years. Buildings are depreciated using the straight-line method over 30 years. It is the Agency's policy to capitalize property and equipment over \$500.00. Lesser amounts are expensed. Depreciation expense for the year ended June 30, 2018 was \$75,202.00.

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(CONTINUED)

1. Organization and Summary of Significant Accounting Policies: (Continued)

Accumulated depreciation as of June 30, 2018 consisted of the following:

	<u>June 30, 2018</u>	<u>Life</u>
Furniture and fixtures	\$108,836.07	5-7 years
Equipment	394,572.96	5 years
Buildings and improvements	<u>459,093.40</u>	10-30 years
	<u>\$962,502.43</u>	

2. Deposits Held by Financial Institutions:

The carrying amount of the Agency's deposits with their financial institution was \$648,294.10 and the bank balance was \$643,465.77. At various times throughout the year, the Agency's cash deposits exceeded the federally insured limits.

3. Related Party Transactions:

During the course of the audit, it was noted \$5,200.00 was paid to Kendrick Lawn Care for services. The Executive Director has ownership interest in this company.

4. Concentration of Credit Risk:

NorthEast Independent Living Services derives its program revenues from the State of Missouri, the loss of which would have a materially adverse effect. During the year ended June 30, 2018, the amount of funds received was \$2,130,149.98. This contract is renewable annually on July 1.

5. Income Taxes:

NorthEast Independent Living Services is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Agency has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the fiscal year ending June 30, 2018.

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(CONTINUED)

5. Income Taxes: (Continued)

The federal returns (990) for 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service generally for three years after filing.

6. Notes Payable and Capitalized Lease Obligations:

Real estate loan with Peoples Prosperity Bank. The fixed interest rate is 4.61 percent. Monthly payments are \$3,768.90 payable over 10 years. The loan is secured by real estate. \$463,690.36

Less: Current Portion 24,259.12

Long-Term Debt \$439,431.24

Maturities of Long-Term Debt:

	<u>Year Ending June 30</u>
2019	\$ 24,259.12
2020	25,401.40
2021	26,597.46
2022	27,849.85
2023	29,161.20
2024 to 2028	167,742.19
2029 to 2032	<u>162,679.14</u>
	<u>\$463,690.36</u>

7. Advertising Costs:

Advertising costs are charged to expense as incurred. Advertising costs for the year ending June 30, 2018 were \$14,451.65.

NORTHEAST INDEPENDENT LIVING SERVICES

HANNIBAL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(CONTINUED)

8. Fair Value of Financial Instruments:

FASB ASC 825 requires certain entities to disclose the estimated fair value of their financial instrument assets and liabilities. The Agency's financial instruments consist primarily of cash and cash equivalents. There are no significant differences between the carrying value and fair value of any of these financial instruments.

9. Subsequent Events:

NorthEast Independent Living Services has evaluated subsequent events through September 7, 2018, the date upon which the financial statements were available to be issued. Management has not identified any material subsequent events which are to be disclosed under generally accepted accounting standards.

GAO GOVERNMENT AUDITING

STANDARDS REPORT

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.

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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
NorthEast Independent Living Services
Hannibal, Missouri

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 NorthEast Independent Living Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NorthEast Independent Living Services' 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 NorthEast Independent Living Services' 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have

not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See page 15, item 2018-1.)

Compliance and Other Matters

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

NorthEast Independent Living Services' Response to Findings

NorthEast Independent Living Services' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. NorthEast Independent Living Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Luck, Humphreys and Associates

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.
Certified Public Accountants

September 7, 2018

NORTHEAST INDEPENDENT LIVING SERVICES
HANNIBAL, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No
<u>Federal Award:</u>	None

NORTHEAST INDEPENDENT LIVING SERVICES
HANNIBAL, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

Section II - Financial Statement Findings

Control Deficiencies

2018-1 Segregation of Duties

Condition: The Agency has a lack of segregation of duties.

Criteria: Segregation of duties encompasses assigning the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets to different people within the organization. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Effect: There is an increased risk to the Board of loss or errors in recording transactions, safeguarding assets and financial statement reporting.

Cause of Condition: There is limited staff available to fully segregate duties.

Recommendation: Although the small size of the accounting staff limits the extent of segregation of duties, we believe certain steps could be taken to separate incompatible duties.

Management Response: Management and the Board concur but agree that the cost of eliminating the segregation of duties issues may outweigh the benefits derived. The Finance Committee will continue to take an active supervisory role in operations to maintain an awareness of sources and uses of funds.

