

***Texarkana Special Education Center, Inc.
And Related Entities dba Opportunities, Inc.***
Texarkana, Texas

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended June 30, 2017

SAUNDERS & ASSOCIATES, PLLC
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TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

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June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.

We have audited the accompanying combined financial statements of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc. (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 *Governmental 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc. as of June 30, 2017, 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 combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Chapter I, Chapter II, Part 200, *et al Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the combined financial statements. In addition, the accompanying supplemental information, as listed in the preceding table of contents, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 13, 2017 on our consideration of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s internal control over financial reporting and on our tests of 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 Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s internal control over financial reporting and compliance.



SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

October 13, 2017

FINANCIAL STATEMENTS

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINED STATEMENT OF FINANCIAL POSITION

June 30, 2017

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash and Cash Equivalents	\$ 211,419	\$ 37,628	\$ 249,047
Client Funds	38,013	0	38,013
Investments	114,095	0	114,095
Accounts Receivable, Net	460,455	0	460,455
Other Receivable	1,381	0	1,381
Prepaid Expenses	25,341	0	25,341
Inventory	2,441	0	2,441
Total Current Assets	853,145	37,628	890,773
Fixed Assets:			
Property, Plant, and Equipment	15,488,470	601,801	16,090,271
Accumulated Depreciation	(8,544,635)	(325,153)	(8,869,788)
Total Fixed Assets	6,943,835	276,648	7,220,483
Other Assets:			
Deposit Held in Trust - Tenant Security Deposit	23,805	0	23,805
Reserve for Replacement	339,393	0	339,393
Total Other Assets	363,198	0	363,198
TOTAL ASSETS	\$ 8,160,178	\$ 314,276	\$ 8,474,454
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts Payable	\$ 103,302	\$ 0	\$ 103,302
Other Payables	12,280	0	12,280
Accrued Salaries	174,866	0	174,866
Deferred Revenue	(12)	0	(12)
Client Funds Held In Trust	37,836	0	37,836
Capital Lease Payable - Current Portion	0	0	0
Notes Payable - Current Portion	7,863	0	7,863
Mortgages Payable - Current Portion	127,081	0	127,081
Total Current Liabilities	463,216	0	463,216
Long-Term Liabilities:			
Tenant Security Deposit	23,805	0	23,805
Capital Lease Payable - Net of Current Maturities	0	0	0
Notes Payable - Net of Current Maturities	50,616	0	50,616
Mortgages Payable - Net of Current Maturities	1,030,690	0	1,030,690
Total Long-Term Liabilities	1,105,111	0	1,105,111
Total Liabilities	1,568,327	0	1,568,327
Net Assets:			
Unrestricted	6,446,933	0	6,446,933
Unrestricted Board Designated (Note 2)	144,918	0	144,918
Temporarily Restricted	0	314,276	314,276
Total Net Assets	6,591,851	314,276	6,906,127
TOTAL LIABILITIES AND NET ASSETS	\$ 8,160,178	\$ 314,276	\$ 8,474,454

* The accompanying notes are an integral part of the financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<u>REVENUES</u>			
Grants and Contracts	\$ 6,784,898	\$ 183,928	\$ 6,968,826
Rental Income	296,816	0	296,816
Fees	179,056	0	179,056
Sales	24,991	0	24,991
Contributions	255,555	186,922	442,477
Fund Raising Revenue	238,261	0	238,261
Interest Revenue	1,465	0	1,465
Other	187,263	0	187,263
Match and In-Kind	23,456	0	23,456
Net Assets Released From Restrictions:			
Satisfaction of Program Restrictions	208,884	(208,884)	0
Total Revenues	8,200,645	161,966	8,362,611
<u>EXPENSES</u>			
Program Services:			
Arkansas Children Intellectual Disabilities	1,919,426	0	1,919,426
Arkansas Adult Intellectual Disabilities	772,939	0	772,939
Arkansas Residential Services	1,731,276	0	1,731,276
Texas Adult Day Care	203,271	0	203,271
Texas Early Headstart	1,011,738	0	1,011,738
Texas Early Childhood Intervention	1,059,969	0	1,059,969
Senior Day Center	338,994	0	338,994
Supporting Services:			
Development/Fundraising	287,641	0	287,641
Management and General	874,224	0	874,224
Total Expenses	8,199,478	0	8,199,478
Change in Net Assets	1,167	161,966	163,133
Net Assets, June 30, 2016	6,590,684	152,310	6,742,994
NET ASSETS, JUNE 30, 2017	\$ 6,591,851	\$ 314,276	\$ 6,906,127

* The accompanying notes are an integral part of the financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

<u>EXPENSES</u>	Arkansas Children Intellectual Disabilities	Arkansas Adult Intellectual Disabilities	Arkansas Residential Services
Salaries and Fringe Benefits	\$ 1,357,157	\$ 425,909	\$ 918,175
Contractual	92,540	0	14,291
Audit	0	0	31,937
Accounting/Data Processing	0	0	3,823
Rental	0	0	4,255
Building Repairs and Maintenance	9,244	2,581	33,354
Lawn Care Maintenance	1,075	729	1,541
Equipment Rental	822	484	3,201
Equipment Repair	2,000	1,548	2,144
Food and Food Supplies	88,389	22,562	81,827
Insurance	68,397	51,117	80,214
Janitorial Service and Supplies	8,656	7,980	7,698
EFT Fees	0	0	64
Office Supplies	0	0	3,426
Program Supplies	15,649	5,708	21,714
Subscriptions & Dues	0	0	2,181
Equipment and Facilities	1,959	1,688	16,851
Staff Education & Training	7,617	1,314	12,232
Staff Travel	4,144	5	466
Transportation and Vehicle Expense	60,564	55,705	82
Telephone	0	0	10,176
Utilities	31,042	29,630	147,704
Postage and Freight	0	0	39
Client Wages and Fringe Benefits	0	23,402	0
Miscellaneous and Other Costs	13,485	7,395	9,382
Interest	0	0	114,338
Depreciation	143,274	123,894	125,212
Match and In-Kind	0	0	0
Information Technologies Expense	13,412	11,288	7,856
Provider Fee	0	0	77,093
	<u>0</u>	<u>0</u>	<u>77,093</u>
Total Expenses	<u>\$ 1,919,426</u>	<u>\$ 772,939</u>	<u>\$ 1,731,276</u>

* The accompanying notes are an integral part of the financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

<u>EXPENSES</u>	Texas Adult Day Care	Texas Early Headstart	Texas Early Childhood Intervention	Senior Day Center
Salaries and Fringe Benefits	\$ 101,789	\$ 708,914	\$ 816,509	\$ 203,570
Contractual	0	0	99,264	0
Audit	0	0	0	0
Accounting/Data Processing	0	0	0	0
Rental	0	0	0	0
Building Repairs and Maintenance	759	1,602	194	1,607
Lawn Care Maintenance	194	726	50	331
Equipment Rental	101	593	12	518
Equipment Repair	415	971	95	1,241
Food and Food Supplies	15,491	46,293	75	16,010
Insurance	14,868	26,961	9,357	18,180
Janitorial Service and Supplies	2,131	4,675	544	3,629
EFT Fees	0	0	0	0
Office Supplies	0	0	0	0
Program Supplies	1,388	29,394	7,676	3,423
Subscriptions & Dues	0	0	0	0
Equipment and Facilities	456	1,224	148	820
Staff Education & Training	208	19,732	1,302	369
Staff Travel	1	7,257	98,421	2
Transportation and Vehicle Expense	18,287	10,771	0	18,696
Telephone	0	0	0	0
Utilities	7,869	16,868	2,028	13,448
Postage and Freight	0	0	0	0
Client Wages and Fringe Benefits	0	0	0	0
Miscellaneous and Other Costs	1,865	35,265	8,174	2,864
Interest	0	0	0	0
Depreciation	36,102	69,602	10,158	50,882
Match and In-Kind	0	23,098	358	0
Information Technologies Expense	1,347	7,792	5,604	3,404
Provider Fee	0	0	0	0
Total Expenses	<u>\$ 203,271</u>	<u>\$ 1,011,738</u>	<u>\$ 1,059,969</u>	<u>\$ 338,994</u>

* The accompanying notes are an integral part of the financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

<u>EXPENSES</u>	<u>Development/ Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and Fringe Benefits	\$ 85,468	\$ 683,843	\$ 5,301,334
Contractual	0	0	206,095
Audit	0	36,979	68,916
Accounting/Data Processing	0	0	3,823
Rental	0	25,092	29,347
Building Repairs and Maintenance	0	0	49,341
Lawn Care Maintenance	0	0	4,646
Equipment Rental	0	0	5,731
Equipment Repair	0	0	8,414
Food and Food Supplies	2,057	0	272,704
Insurance	0	39,961	309,055
Janitorial Service and Supplies	0	0	35,313
EFT Fees	0	2,180	2,244
Office Supplies	5,876	6,161	15,463
Program Supplies	24,110	0	109,062
Subscriptions & Dues	0	18,547	20,728
Equipment and Facilities	0	0	23,146
Staff Education & Training	1,122	219	44,115
Staff Travel	0	0	110,296
Transportation and Vehicle Expense	0	0	164,105
Telephone	0	45,511	55,687
Utilities	0	0	248,589
Postage and Freight	0	11,943	11,982
Client Wages and Fringe Benefits	0	0	23,402
Miscellaneous and Other Costs	169,008	3,788	251,226
Interest	0	0	114,338
Depreciation	0	0	559,124
Match and In-Kind	0	0	23,456
Information Technologies Expense	0	0	50,703
Provider Fee	0	0	77,093
	<u>0</u>	<u>0</u>	<u>77,093</u>
Total Expenses	<u>\$ 287,641</u>	<u>\$ 874,224</u>	<u>\$ 8,199,478</u>

* The accompanying notes are an integral part of the financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

<u>Cash Flows From Operating Activities</u>	
Change in Net Assets	\$ 163,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	559,124
(Increase) Decrease in Receivables	(160,032)
(Increase) Decrease in Prepaid Expenses	(12,210)
(Increase) Decrease in Inventory	69
Increase (Decrease) in Accounts Payable	(142,009)
Increase (Decrease) in Other Payables	1,559
Increase (Decrease) in Accrued Salaries	(185,569)
Increase (Decrease) in Deferred Revenue	<u>7</u>
Net Cash Provided By (Used For) Operating Activities	<u>224,072</u>
<u>Cash Flows From Investing Activities</u>	
Acquisition of Fixed Assets	(282,360)
Disposition of Fixed Assets	851
Deposits/Withdrawals (to) from Restricted Cash	(18,924)
Redemption of Investments	132,907
Purchase of Investments	<u>0</u>
Net Cash Provided By (Used For) Investing Activities	<u>(167,526)</u>
<u>Cash Flows From Financing Activities</u>	
Mortgage Principal Payments	(115,894)
Capital Lease Payments	(8,601)
Note Principal Payments	<u>(13,752)</u>
Net Cash Provided By (Used For) Financing Activities	<u>(138,247)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(81,701)
Cash Balance, June 30, 2016	<u>330,748</u>
CASH BALANCE, JUNE 30, 2017	<u>\$ 249,047</u>

* The accompanying notes are an integral part of the financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization – These combined financial statements include the operations of Texarkana Special Education Center, Inc. and related entities, Housing Opportunities, Inc., Housing Opportunities Extension, Inc., and Housing Opportunities Addition, Inc. All of these entities operate under the assumed name of Opportunities, Inc. (the Center). The entities are related through management, program sponsorships and interlocking boards of directors. All significant support and expenses between the entities have been eliminated.

Opportunities, Inc. provides day programs for at-risk children and those with developmental disabilities, adults with developmental disabilities and medical needs, frail elderly, as well as residential programs for both adults with developmental disabilities and low-income elderly. Services include transportation, nutrition, assessment, training, nursing and therapies to qualifying individuals of Northeast Texas and Southwest Arkansas.

Basis of Accounting – The accrual basis of accounting is used by the Center. Under the accrual basis of accounting, revenues are recognized when earned and expenses when incurred. A receivable represents that portion of the grant, which the Center has earned and/or requested, but not received. Expenses incurred but not paid at year end are represented by a liability on the statement of financial position. Grant funds received but not yet expended are included in net assets. Other revenues are recognized when received or earned. Net assets represent the cumulative excess of revenues recognized over expenses incurred. These amounts are subject to recall or re-obligation at the discretion of the granting agencies or may be carried over to the next year.

Financial Statement Presentation – The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Additionally, the Center is required to present a statement of cash flows.

Restrictions on Assets – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization 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 organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Center recognizes donor, grantor, or otherwise restricted revenues as unrestricted if restrictions are met in the same reporting period.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. Opportunities, Inc. has no permanently restricted net assets. Accordingly, this classification has been omitted.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contributions/Fund Raising Revenue – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Temporarily Restricted Net Assets – Temporarily restricted net assets totaling \$314,276 at June 30, 2017, consist of the following:

Vehicles (Grant imposed mileage requirement)	\$ 276,648
Sturgis Trust restricted for Capital Items and Indigent Clients	35,919
Donor contribution restricted for Special Olympics	204
Donor contribution restricted for Arkansas Children	1,110
Donor contribution restricted for Autism	153
Donor contribution restricted for Training	165
Donor contribution restricted for Equipment	<u>77</u>
	<u>\$ 314,276</u>

Inventory – Inventory consists of supplies for the workshop and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Investments – All investments are stated at cost, which approximates fair market value. Investments at June 30, 2017 consist of certificates of deposit totaling \$114,095. The Center classifies all certificates of deposit as investments regardless of their maturities. Terms for certificates of deposit range from three months to three years.

Property, Plant and Equipment – Property, plant and equipment with an acquisition cost of more than \$500, and a useful life exceeding two years are recorded at cost. Donated assets are recorded at the estimated fair market value at date of gift. Assets (vehicles) acquired from UMTA are recorded at fair market value with the excess of fair market value over required match being reported as revenue. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of the assets range from 3 to 40 years.

Bad Debt and Contractual Allowances – The Center utilizes the reserve method of recognizing bad debts and contractual billing adjustments necessitated by delays in client eligibility determinations. The total reserve for uncollectible items as of June 30, 2017 is \$14,178.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Fair Value – The stated value of the Center's financial instruments approximates market based on the current rates offered for similar financial instruments.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand and demand deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Security deposits, client funds, cash and certificates of deposit held in reserve for replacement accounts are not considered cash equivalents, as such funds are not readily available for use in operations. Cash and cash equivalents received with donor imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows. In addition, as previously stated, the Center maintains certificates of deposits which are classified as investments.

In-Kind Contributions – Certain grants require in-kind match. The Center values in-kind contributions and services at the fair market value. In-kind contributions are recognized as both revenue and expense. In-kind contributions for the Early Head Start program include \$5,773 in contributed services.

Income Taxes and Uncertain Tax Positions

Income Tax Status – The Center qualifies as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and is subject to a tax on income from any unrelated business, as defined by Section 509(a)(1) of the Code. The Center currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Center has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examinations by taxing authorities. The Center has analyzed tax positions taken for filing with the Internal Revenue Service. The Center believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Center's financial condition, results of operations, or cash flows. Accordingly, the Center has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2017.

Federal income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Center has no open examinations with the Internal Revenue Service.

NOTE 2: DESIGNATED NET ASSETS

The Board of Directors has made designations of unrestricted net assets as outlined below:

Capital acquisition, capital improvements, and expansion of services	<u>\$ 144,918</u>
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NOTE 3: CLIENT FUNDS

Client funds are maintained in Conserved Client Funds account. This information is reflected on the statement of financial position as Client Funds and a corresponding liability, Client Funds Held in Trust.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: TENANT SECURITY DEPOSITS

Housing Opportunities, Inc. and Housing Opportunities Extension, Inc. maintain separate bank accounts for tenant security deposits. At June 30, 2017, the balance in the accounts totaled \$23,805.

NOTE 5: HUD RESTRICTED DEPOSITS

Under regulatory agreements, Housing Opportunities, Inc. and Housing Opportunities Extension, Inc. are required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD-restricted deposits, which approximate \$339,393 at June 30, 2017, are held in separate accounts and generally are not available for operating purposes.

NOTE 6: RETIREMENT PLAN

The Center provides a 403(b) retirement plan in which each employee may voluntarily participate immediately upon employment. The plan requires each employee to be employed one full year before being eligible for matching contributions by the Center. The maximum annual contribution by the Center is 0% of annual salary. Total contributions made by the Center during the fiscal year ended June 30, 2017, were \$0.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

Major components of property, plant and equipment are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Texarkana Special Education Center, Inc.			
Land	\$ 1,278,855	\$ 0	\$ 1,278,855
Buildings and Improvements	8,498,284	3,705,552	4,792,732
Vehicles	1,278,533	978,251	300,282
Equipment and Furnishings	957,934	879,164	78,770
Computer Software and Equipment	<u>289,606</u>	<u>270,734</u>	<u>18,872</u>
Total Texarkana Special Education Center, Inc.	<u>12,303,212</u>	<u>5,833,701</u>	<u>6,469,511</u>

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: PROPERTY, PLANT AND EQUIPMENT, CONTINUED

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Housing Opportunities, Inc.			
Land and Land Improvements	115,694	9,302	106,392
Buildings and Improvements	2,065,799	1,751,464	314,335
Equipment and Furnishings	<u>506,718</u>	<u>442,492</u>	<u>64,226</u>
Total Housing Opportunities, Inc.	<u>2,688,211</u>	<u>2,203,258</u>	<u>484,953</u>
Housing Opportunities Extension, Inc.			
Land and Land Improvements	16,263	2,552	13,711
Buildings and Improvements	314,601	253,509	61,092
Equipment and Furnishings	<u>35,250</u>	<u>31,521</u>	<u>3,729</u>
Total Housing Opportunities Extension, Inc.	<u>366,114</u>	<u>287,582</u>	<u>78,532</u>
Housing Opportunities Addition, Inc.			
Land and Land Improvements	75,999	22,178	53,821
Buildings and Improvements	470,309	350,706	119,603
Vehicle	45,872	45,872	0
Equipment and Furnishings	<u>140,554</u>	<u>126,491</u>	<u>14,063</u>
Total Housing Opportunities Addition, Inc.	<u>732,734</u>	<u>545,247</u>	<u>187,487</u>
TOTAL OPPORTUNITIES, INC.	<u>\$16,090,271</u>	<u>\$ 8,869,788</u>	<u>\$ 7,220,483</u>

Depreciation expense for the year totaled \$559,124.

NOTE 8: ALLOCATION OF COSTS

Costs of the Center are allocated to the various programs. General and administrative costs are allocated based on various levels of benefits: billing transactions, financial transactions, computers, etc.; while direct program costs are allocated based upon client utilization.

NOTE 9: COMPENSATED ABSENCES

The Center does not accrue annual leave, as payment of unused leave is not made to terminated employees.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 10: MORTGAGES PAYABLE

Mortgages payable at June 30, 2017, consist of the following:

Housing Opportunities, Inc.

The mortgage payable as of June 30, 2017 represents a permanent building loan provided by HUD. The monthly installments for principal and interest are \$16,704 with a maturity date of January 2024. Interest is being charged at 9.25%. The mortgage note is secured by the apartment project.

\$ 985,535

Housing Opportunities Extension, Inc.

The mortgage payable as of June 30, 2017 represents a permanent building loan provided by HUD. The monthly installments for principal and interest are \$2,370 with a maturity date of May 2026. Interest is being charged at 9.25%. The mortgage note is secured by the apartment project.

172,236

Total Mortgages Payable

\$ 1,157,771

A schedule of principal payments due in future years is as follows:

Year Ending June 30,

2018	\$ 127,081
2019	139,368
2020	152,779
2021	167,547
2022	183,720
Thereafter	<u>387,276</u>

Total

\$ 1,157,771

Total interest expense incurred by the Center in 2017 was \$112,090.

The fair values of the mortgages payable are estimated, based on the current rates offered to the Projects for debt of the same remaining maturities. At June 30, 2017, the fair values of the mortgages payable approximate the amounts recorded in the financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 11: NOTES PAYABLE

Housing Opportunities Addition, Inc.

During July 2015, the Corporation entered into a note agreement in order to finance facility improvements. The loan total was \$79,197; carries an interest rate of 3.5% and is secured by the property. The note calls for 120 monthly payments of \$833, which began August 2015, and goes through the note's maturity during July 2025. At June 30, 2017, the loan balance was \$58,479. Minimum principal payments requirements for the next five years and thereon are as follows:

<u>June 30</u>	
2018	\$ 7,863
2019	8,143
2020	8,432
2021	8,732
2022	9,042
Thereafter	<u>16,267</u>
 TOTAL	 \$ <u>58,479</u>

NOTE 12: CONTINGENCIES

Medicaid Funding – The Center receives Medicaid funding by providing services to eligible clients. This funding is considered direct assistance to individuals and not federal financial assistance. Documentation of these services is subject to possible future audits by the funding agency which would result in the Center being required to refund some of the funds received for those services provided. Management believes that the Center is in substantial compliance with applicable laws and regulations related to Medicaid funding.

Federal and State Funding – The Center participates in a number of federal and state assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the *Single Audit Act Amendments of 1996*, if applicable, in accordance with the required levels of federal financial assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, management believes that further examinations would not result in any significant disallowed costs.

Pending Suit – Wage and Hour – The Center is a defendant in a pending lawsuit whereby the defendants are alleging failure to pay proper overtime compensation under the Fair Labor Standards Act (FLSA) and Arkansas Minimum Wage Act (AMWA). The Center has denied the claims, however, the outcome of the lawsuit is unknown at this time. There is no liability insurance coverage for these claims. The potential range of loss is from \$36,400 to \$74,400 for unpaid employee compensation plus plaintiff's attorney's fees, the amount of which is unknown. Subsequent to June 30, 2017 the case was settled for \$27,000 which is not reflected as a liability in the accompanying financial statements.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 13: ECONOMIC DEPENDENCY

The Center receives a significant portion of its revenue from federal and state grants and Medicaid funding. If significant budget cuts are made at the federal/state level, or if significant changes are made to Medicaid reimbursement methods or amounts, the amount of funds the agency receives could be reduced and have an adverse impact on the organization. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

The operations of Housing Opportunities, Inc. (HOI) and Housing Opportunities Extension, Inc. (HOE) are concentrated in the real estate market. In addition, HOI and HOE operate in a heavily regulated environment. The operations of HOI and HOE are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with a change.

NOTE 14: CONCENTRATION OF CREDIT RISK

Opportunities, Inc.'s accounts receivable consist of monies due from various state and federal grants and programs.

Opportunities, Inc. maintains its cash balances and certificates of deposit at several different financial institutions in Texarkana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by Opportunities, Inc.

<u>Category</u>	<u>Balance Per Bank</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 871,808
2) Collateralized with securities held by the pledging financial institution's Trust department.	0
3) Uncollateralized	<u>3,840</u>
TOTAL	<u>\$ 875,648</u>

NOTE 15: STURGIS CHARITABLE TRUST

In August 2005, Texarkana Special Education Center dba Opportunities, Inc. (TSEC) was named as a devisee of the Sturgis Charitable Trust. Annually, TSEC must substantiate, to the satisfaction of the Trustee, that the funds distributed were spent as stipulated. The Board of Directors adopted a resolution for the trust revenues to be used for capital assets and for capital improvements.

NOTE 16: SUBSEQUENT EVENTS

Date of Management Evaluation – Management of the Center has evaluated subsequent events through October 13, 2017, which is the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
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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*

Board of Directors

Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.

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 combined financial statements of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc. (a non-profit organization), which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined 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 material weaknesses or significant deficiencies. 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 Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s combined 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 Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders + Associates, PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

October 13, 2017

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors

Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.

Report on Compliance for Each Major Program

We have audited Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s major federal programs for the year ended June 30, 2017. Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Chapter I, Chapter II, Part 200, *et al Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Texarkana Special Education Center, Inc. and Related Entities dba Opportunities, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected, and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

October 13, 2017

SUPPLEMENTAL INFORMATION

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Unique Entity Identifier	Federal CFDA Number	Federal Revenues	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Direct Funding:				
Early Head Start 06CH7086/03		93.600	\$ 108,102	\$ 108,102
Early Head Start 06CH7086/04		93.600	770,862	770,862
Total Direct Funding			<u>878,964</u>	<u>878,964</u>
<u>Passed Through Area Agency on Aging of</u>				
<u> Southwest Arkansas, Inc.:</u>				
<u>Aging Cluster:</u>				
Title III, Part C, Nutrition Services		93.045	20,175	20,175
Nutrition Program for the Elderly		93.053	5,372	5,372
Total Aging Cluster			<u>25,547</u>	<u>25,547</u>
Title III, Part E		93.052	0	0
Social Services Block Grant		93.667	0	0
Total Area Agency on Aging of Southwest Arkansas, Inc.			<u>25,547</u>	<u>25,547</u>
<u>Passed Through Arkansas Department of Human Services:</u>				
	0600003060			
Foster Care - Title IV-E		93.658	1,077	1,077
Child Care and Development Block Grant		93.575	2,821	2,821
Social Services Block Grant		93.667	45,702	45,702
Total Arkansas Department of Human Services			<u>49,600</u>	<u>49,600</u>
<u>Passed Through Texas Department of Assistive and Rehabilitative</u>				
<u> Services Division for Early Childhood Intervention Services:</u>				
	5382001575			
Temporary Assistance for Needy Families		93.558	52,252	52,252
Total Texas Department of Assistive and Rehabilitative			<u>52,252</u>	<u>52,252</u>
Services Division for Early Childhood Intervention Services				
Total Department of Health and Human Services			<u>1,006,363</u>	<u>1,006,363</u>
<u>U.S. Department of Agriculture</u>				
<u>Passed Through Texas Department of Agriculture:</u>				
	03354			
Division of Children and Family Services/Child Nutrition -				
Child and Adult Care Food Program		10.558	223,233	223,233
Total Department of Agriculture			<u>223,233</u>	<u>223,233</u>
<u>U.S. Department of Housing and Urban Development</u>				
Direct Funding:				
Supportive Housing for the Elderly (A)		14.157	184,134	184,134 **
Supportive Housing for the Elderly (B)		14.157	1,089,531	1,089,531 **
Housing Assistance Payment Program (A)		14.195	66,977	66,977
Housing Assistance Payment Program (B)		14.195	406,376	406,376
Total Department of Housing and Urban Development			<u>1,747,018</u>	<u>1,747,018</u>
<u>U.S. Department of Transportation</u>				
<u>Passed Through Arkansas State Highway and Transportation</u>				
<u> Department:</u>				
	N/A			
Section 5310, Enhanced Mobility of Seniors & Individuals				
with Disabilities		20.513	183,928	183,928
Total Department of Transportation			<u>183,928</u>	<u>183,928</u>

* See accompanying notes to schedule.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Unique Entity Identifier</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>				
<u>Passed Through Arkansas Department of Human Services:</u>				
Special Education - Grants to States	0600003060	84.027	87	87
Infants and Toddlers with Disabilities		84.181	7,235	7,235
Total Arkansas Department of Human Services			<u>7,322</u>	<u>7,322</u>
<u>Passed Through Texas Department of Assistive and Rehabilitative Services Division for Early Childhood Intervention Services:</u>				
Special Education - Grants for Infants and Families	5382001575	84.181	289,058	289,058
Special Education - Grants to States		84.027	22,622	22,622
Total Texas Department of Assistive and Rehabilitative Serevices Division for Early Childhood Intervention Services			<u>311,680</u>	<u>311,680</u>
Total Department of Education			<u>319,002</u>	<u>319,002</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,479,544</u>	<u>\$ 3,479,544</u>

(A) Program of Housing Opportunities Extension, Inc.

(B) Program of Housing Opportunities, Inc.

** Loan Balance - Beginning Year

* See accompanying notes to schedule.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>State Revenues</u>	<u>State Expenditures</u>
<u>Arkansas Department of Human Services</u>		
Foster Care - Title IV-E	\$ 304	\$ 304
DDS - Grant in Aid	<u>38,977</u>	<u>38,977</u>
Total Arkansas Department of Human Services	<u>39,281</u>	<u>39,281</u>
<u>Texas Department of Assistive and Rehabilitative Services</u>		
<u>Division of Early Childhood Intervention</u>		
State General Revenue	77,694	77,694
Respite Services	<u>2,972</u>	<u>2,972</u>
Total Texas Department of Assistive and Rehabilitative Services Division of Early Childhood Intervention	<u>80,666</u>	<u>80,666</u>
<u>Area Agency on Aging of Southwest Arkansas, Inc.</u>		
Cigarette Tax	462	462
State Senior Citizens Centers	<u>10,430</u>	<u>10,430</u>
Total Area Agency on Aging of SW Arkansas, Inc.	<u>10,892</u>	<u>10,892</u>
TOTAL STATE AWARDS	<u>\$ 130,839</u>	<u>\$ 130,839</u>

* See accompanying notes to schedule.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Center, under programs of the federal and state government for the year ended June 30, 2017. The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Chapter I, Chapter II, Part 200, *et al Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedules present only a selected portion of the operations of the Center, they are not intended to and do not present the financial position, changes in net assets or cash flows.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: CONTINGENT LIABILITIES

The Center participates in a number of federal and state assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the *Single Audit Act amendments of 1996*, if applicable, in accordance with the required levels of Federal Financial assistance. Audits of prior years have not resulted in any significant disallowed costs. Additionally, the grant programs are subject to audits by the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of the funds. Management believes that any liability for reimbursement which may arise as the result of audits of grant funds would not be material.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal financial reports filed with the grantor agencies because of accruals made in the schedule which will be included in future reports with agencies.

NOTE 5: INDIRECT COSTS

The Center has elected not to use the 10 percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

NOTE 6: MEDICAID FUNDS

During the fiscal year ended June 30, 2017, the Center recognized Medicaid Funds of \$3,769,482 under fee for service contracts, which are not considered federal awards, since they are direct federal cash assistance to individuals.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2017

NOTE 7: NONCASH AWARDS

The Center is required under the *Uniform Guidance* to report expenditures as related to its loan program as the beginning balance plus any advances during the period. There were no advances on the loan for the year ending June 30, 2017, and the balance reported was the ending balance as of June 30, 2016.

The Center had the following loan balances outstanding at June 30, 2017.

<u>Program Title</u>	<u>Federal CFDA No.</u>	<u>Amount Outstanding</u>
<u>U.S. Department of Housing and Urban Development</u>		
Supportive Housing for the Elderly (A)	14.157	\$ 172,236
Supportive Housing for the Elderly (B)	14.157	\$ 985,535

TEXARKANA SPECIAL EDUCATION CENTER
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINING STATEMENT OF FINANCIAL POSITION
NON-GAAP BASIS

June 30, 2017

	TSEC Division 1	TSEC Development Division 6	Total Texarkana Special Education Center, Inc.	Housing Opportunities, Inc. Division 2
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 51,892	\$ 119,766	\$ 171,658	\$ 49,783
Client Funds	38,013	0	38,013	0
Investments	0	76,594	76,594	0
Accounts Receivable, Net	416,004	0	416,004	4,243
Other Receivable	1,381	0	1,381	0
Due From (To) Other Divisions	(1,064,149)	1,142,979	78,830	(39,547)
Prepaid Expenses	17,845	1,627	19,472	4,265
Inventory	2,441	0	2,441	0
Total Current Assets	<u>(536,573)</u>	<u>1,340,966</u>	<u>804,393</u>	<u>18,744</u>
Fixed Assets:				
Property, Plant, Equipment	12,303,212	0	12,303,212	2,688,211
Accumulated Depreciation	<u>(5,833,701)</u>	<u>0</u>	<u>(5,833,701)</u>	<u>(2,203,258)</u>
Total Fixed Assets	<u>6,469,511</u>	<u>0</u>	<u>6,469,511</u>	<u>484,953</u>
Other Assets:				
Deposit Held in Trust - Tenant Security Deposit	0	0	0	21,279
Reserve for Replacement	<u>0</u>	<u>0</u>	<u>0</u>	<u>226,049</u>
Total Other Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>247,328</u>
 TOTAL ASSETS	 <u>\$ 5,932,938</u>	 <u>\$ 1,340,966</u>	 <u>\$ 7,273,904</u>	 <u>\$ 751,025</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	\$ 71,527	\$ 6,903	\$ 78,430	\$ 8,992
Other Payables	3,355	0	3,355	7,597
Accrued Salaries & Related Payroll Liabilities	174,866	0	174,866	0
Deferred Revenue	(12)	0	(12)	0
Client Funds Held In Trust	37,836	0	37,836	0
Capital Lease Payable - Current Portion	0	0	0	0
Notes Payable - Current Portion	0	0	0	0
Mortgages Payable - Current Portion	<u>0</u>	<u>0</u>	<u>0</u>	<u>114,034</u>
Total Current Liabilities	<u>287,572</u>	<u>6,903</u>	<u>294,475</u>	<u>130,623</u>
Other Non-Current Liabilities:				
Tenant Security Deposit	0	0	0	21,279
Long-Term Liabilities:				
Capital Lease Payable - Net of Current Maturities	0	0	0	0
Notes Payable - Net of Current Maturities	0	0	0	0
Mortgages Payable - Net of Current Maturities	<u>0</u>	<u>0</u>	<u>0</u>	<u>871,501</u>
Total Other Non-Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>892,780</u>
Total Liabilities	<u>287,572</u>	<u>6,903</u>	<u>294,475</u>	<u>1,023,403</u>
Net Assets	<u>5,645,366</u>	<u>1,334,063</u>	<u>6,979,429</u>	<u>(272,378)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,932,938</u>	 <u>\$ 1,340,966</u>	 <u>\$ 7,273,904</u>	 <u>\$ 751,025</u>

TEXARKANA SPECIAL EDUCATION CENTER
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINING STATEMENT OF FINANCIAL POSITION
NON-GAAP BASIS

June 30, 2017

	Housing Opportunities Extension, Inc. Division 3	Housing Opportunities Addition, Inc. Division 4	Inter- organization Activity	Total Opportunities, Inc.
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 17,310	\$ 10,296	\$ 0	\$ 249,047
Client Funds	0	0	0	38,013
Investments	0	37,501	0	114,095
Accounts Receivable, Net	0	40,208	0	460,455
Other Receivable	0	0	0	1,381
Due From (To) Other Divisions	(6,166)	(33,117)	0	0
Prepaid Expenses	872	732	0	25,341
Inventory	0	0	0	2,441
Total Current Assets	<u>12,016</u>	<u>55,620</u>	<u>0</u>	<u>890,773</u>
Fixed Assets:				
Property, Plant, Equipment	366,114	732,734	0	16,090,271
Accumulated Depreciation	<u>(287,582)</u>	<u>(545,247)</u>	<u>0</u>	<u>(8,869,788)</u>
Total Fixed Assets	<u>78,532</u>	<u>187,487</u>	<u>0</u>	<u>7,220,483</u>
Other Assets:				
Deposit Held in Trust - Tenant Security Deposit	2,526	0	0	23,805
Reserve for Replacement	<u>113,344</u>	<u>0</u>	<u>0</u>	<u>339,393</u>
Total Other Assets	<u>115,870</u>	<u>0</u>	<u>0</u>	<u>363,198</u>
 TOTAL ASSETS	 <u>\$ 206,418</u>	 <u>\$ 243,107</u>	 <u>\$ 0</u>	 <u>\$ 8,474,454</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	\$ 1,831	\$ 14,049	\$ 0	\$ 103,302
Other Payables	1,328	0	0	12,280
Accrued Salaries	0	0	0	174,866
Deferred Revenue	0	0	0	(12)
Client Funds Held In Trust	0	0	0	37,836
Capital Lease Payable - Current Portion	0	0	0	0
Notes Payable - Current Portion	0	7,863	0	7,863
Mortgages Payable - Current Portion	<u>13,047</u>	<u>0</u>	<u>0</u>	<u>127,081</u>
Total Current Liabilities	<u>16,206</u>	<u>21,912</u>	<u>0</u>	<u>463,216</u>
Other Non-Current Liabilities:				
Tenant Security Deposit	2,526	0	0	23,805
Long-Term Liabilities:				
Capital Lease Payable - Net of Current Maturities	0	0	0	0
Notes Payable - Net of Current Maturities	0	50,616	0	50,616
Mortgages Payable - Net of Current Maturities	<u>159,189</u>	<u>0</u>	<u>0</u>	<u>1,030,690</u>
Total Long-Term Liabilities	<u>161,715</u>	<u>50,616</u>	<u>0</u>	<u>1,105,111</u>
Total Liabilities	<u>177,921</u>	<u>72,528</u>	<u>0</u>	<u>1,568,327</u>
Net Assets	<u>28,497</u>	<u>170,579</u>	<u>0</u>	<u>6,906,127</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 206,418</u>	 <u>\$ 243,107</u>	 <u>\$ 0</u>	 <u>\$ 8,474,454</u>

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINING SCHEDULE OF REVENUE AND EXPENSES

For the Year Ended June 30, 2017

	TSEC Division 1	TSEC Development Division 6	Total Texarkana Special Education Center, Inc.
<u>REVENUE</u>			
Grants and Contracts	\$ 5,634,129	\$ 183,928	\$ 5,818,057
Rental Income	0	0	0
Fees	223,434	6,465	229,899
Sales	24,991	0	24,991
Contributions	93,059	349,418	442,477
Fund Raising Revenue	0	238,261	238,261
Interest Revenue	0	770	770
Program Income and Other	308,299	3,994	312,293
Match and In-Kind	116,902	0	116,902
Total Revenue	<u>6,400,814</u>	<u>782,836</u>	<u>7,183,650</u>
<u>EXPENSES</u>			
Salaries and Fringe Benefits	4,738,095	99,886	4,837,981
Contractual	191,804	0	191,804
Audit	36,979	0	36,979
Accounting/Data Processing	0	0	0
Rental	25,092	0	25,092
Building Repair/Maintenance	16,151	0	16,151
Lawn Care Maintenance	3,105	0	3,105
Equipment Rental	2,544	0	2,544
Equipment Repair	6,272	0	6,272
Food and Food Supplies	248,174	2,057	250,231
Insurance	196,525	32,699	229,224
Janitorial Service/Supplies	27,623	0	27,623
EFT Fees	2,180	0	2,180
Office Supplies	5,110	6,927	12,037
Program Supplies	67,198	24,110	91,308
Subscriptions & Dues	13,960	4,587	18,547
Equipment and Facilities	6,340	0	6,340
Staff Education & Training	31,621	1,122	32,743
Staff Travel	110,296	0	110,296
Transportation and Vehicle Expense	164,105	0	164,105
Telephone	45,511	0	45,511
Utilities	100,883	0	100,883
Postage and Freight	6,559	5,383	11,942
Client Wages and Fringe Benefits	23,402	0	23,402
Miscellaneous and Other Costs	74,910	263,015	337,925
Interest	0	0	0
Depreciation	436,442	0	436,442
Match and In-Kind	23,456	0	23,456
Information Technologies Expense	44,291	0	44,291
Provider Fee	0	0	0
Total Expenses	<u>6,648,628</u>	<u>439,786</u>	<u>7,088,414</u>
TOTAL REVENUE OVER (UNDER) EXPENSES	<u>\$ (247,814)</u>	<u>\$ 343,050</u>	<u>\$ 95,236</u>

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINING SCHEDULE OF REVENUE AND EXPENSES

For the Year Ended June 30, 2017

<u>REVENUE</u>	Housing Opportunities, Inc. Division 2	Housing Opportunities Extension, Inc. Division 3	Housing Opportunities Addition, Inc. Division 4
Grants and Contracts	\$ 406,376	\$ 66,977	\$ 677,416
Rental Income	245,327	51,489	0
Fees	0	0	88,039
Sales	0	0	0
Contributions	0	0	0
Fund Raising Revenue	0	0	0
Interest Revenue	53	449	193
Program Income and Other	2,541	0	0
Match and In-Kind	0	0	0
Total Revenue	654,297	118,915	765,648
<u>EXPENSES</u>			
Salaries and Fringe Benefits	81,982	22,468	358,903
Contractual	35,870	5,467	228,607
Audit	12,029	9,529	10,379
Accounting/Data Processing	2,803	1,020	0
Rental	769	0	3,486
Building Repair/Maintenance	27,291	2,855	3,044
Lawn Care Maintenance	1,541	0	0
Equipment Rental	1,523	775	889
Equipment Repair	1,667	343	132
Food and Food Supplies	0	0	22,473
Insurance	51,395	10,473	17,963
Janitorial Service/Supplies	3,093	2,321	2,276
EFT Fees	0	0	64
Office Supplies	1,098	224	2,104
Program Supplies	0	0	17,754
Subscriptions & Dues	296	0	1,885
Equipment and Facilities	12,117	2,730	1,959
Staff Education & Training	4,640	4,262	2,470
Staff Travel	0	0	0
Transportation and Vehicle Expense	0	0	10,800
Telephone	3,034	1,931	5,211
Utilities	124,076	12,414	11,216
Postage and Freight	1	0	39
Client Wages and Fringe Benefits	0	0	0
Miscellaneous and Other Costs	2,196	2,774	1,777
Interest	95,644	16,446	2,248
Depreciation	75,865	9,357	37,460
Match and In-Kind	0	0	0
Information Technologies Expense	1,910	942	3,560
Provider Fee	0	0	77,093
Total Expenses	540,840	106,331	823,792
TOTAL REVENUE OVER (UNDER) EXPENSES	\$ 113,457	\$ 12,584	\$ (58,144)

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

COMBINING SCHEDULE OF REVENUE AND EXPENSES

For the Year Ended June 30, 2017

<u>REVENUE</u>	Inter- organization Activity	Total Opportunities, Inc.
Grants and Contracts	\$ 0	\$ 6,968,826
Rental Income	0	296,816
Fees	(138,882)	179,056
Sales	0	24,991
Contributions	0	442,477
Fund Raising Revenue	0	238,261
Interest Revenue	0	1,465
Program Income and Other	(127,571)	187,263
Match and In-Kind	(93,446)	23,456
Total Revenue	<u>(359,899)</u>	<u>8,362,611</u>
 <u>EXPENSES</u>		
Salaries and Fringe Benefits	0	5,301,334
Contractual	(255,653)	206,095
Audit	0	68,916
Accounting/Data Processing	0	3,823
Rental	0	29,347
Building Repair/Maintenance	0	49,341
Lawn Care Maintenance	0	4,646
Equipment Rental	0	5,731
Equipment Repair	0	8,414
Food and Food Supplies	0	272,704
Insurance	0	309,055
Janitorial Service/Supplies	0	35,313
EFT Fees	0	2,244
Office Supplies	0	15,463
Program Supplies	0	109,062
Subscriptions & Dues	0	20,728
Equipment and Facilities	0	23,146
Staff Education & Training	0	44,115
Staff Travel	0	110,296
Transportation and Vehicle Expense	(10,800)	164,105
Telephone	0	55,687
Utilities	0	248,589
Postage and Freight	0	11,982
Client Wages and Fringe Benefits	0	23,402
Miscellaneous and Other Costs	(93,446)	251,226
Interest	0	114,338
Depreciation	0	559,124
Match and In-Kind	0	23,456
Information Technologies Expense	0	50,703
Provider Fee	0	77,093
Total Expenses	<u>(359,899)</u>	<u>8,199,478</u>
 TOTAL REVENUE OVER (UNDER) EXPENSES	 <u>\$ 0</u>	 <u>\$ 163,133</u>

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

SCHEDULE OF UNITS OF SERVICE FOR USDA CONTRACT #75H6012
CHILD AND ADULT CARE FOOD PROGRAM

For the Year Ended June 30, 2017

	<u>Breakfast</u>	<u>Lunch</u>	<u>Snack</u>	<u>Total</u>
USDA Program #019-0004 Children:				
July	1,963	2,009	1,875	5,847
August	2,319	2,412	2,300	7,031
September	2,307	2,351	2,219	6,877
October	2,296	2,349	2,275	6,920
November	2,267	2,350	2,183	6,800
December	2,224	2,292	2,095	6,611
January	2,390	2,468	2,173	7,031
February	2,166	2,215	2,014	6,395
March	2,574	2,689	2,452	7,715
April	2,232	2,357	2,218	6,807
May	2,512	2,632	2,504	7,648
June	2,271	2,394	2,271	6,936
Total Preschool	<u>27,521</u>	<u>28,518</u>	<u>26,579</u>	<u>82,618</u>
USDA Program #019-6002 Adult:				
July	665	908	896	2,469
August	828	1,125	1,080	3,033
September	759	1,034	982	2,775
October	762	1,036	951	2,749
November	698	996	919	2,613
December	702	1,039	942	2,683
January	733	1,041	931	2,705
February	661	947	856	2,464
March	711	1,047	965	2,723
April	635	877	829	2,341
May	774	1,118	1,056	2,948
June	783	1,100	1,087	2,970
Total Adult	<u>8,711</u>	<u>12,268</u>	<u>11,494</u>	<u>32,473</u>
TOTAL UNITS OF SERVICE	<u><u>36,232</u></u>	<u><u>40,786</u></u>	<u><u>38,073</u></u>	<u><u>115,091</u></u>

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

SCHEDULE OF SUPPLEMENTAL INFORMATION

June 30, 2017

Texarkana Special Education Center, Inc.
6101 North State Line
Texarkana, TX 75503
EIN: 71-6060131
Telephone Number: (903) 791-2270
Executive Director: Sherry Young
Contact Person: Kathaleen Sanders
Fee: \$25,000.00

Housing Opportunities Addition, Inc.
4600 County Avenue
Texarkana, AR 71854
EIN: 62-1403850
Telephone Number: (870) 772-6793
Executive Director: Sherry Young
Contact Person: Kathaleen Sanders
Fee: \$7,300.00

Housing Opportunities Extension, Inc.
600 East 43rd Street
Texarkana, AR 71854
EIN: 71-0606330
Telephone Number: (870) 772-2573
Executive Director: Sherry Young
Contact Person: Kathaleen Sanders
Fee: \$7,300.00

Housing Opportunities, Inc.
600 East 43rd Street
Texarkana, AR 71854
EIN: 71-0552782
Telephone Number: (870) 772-2573
Executive Director: Sherry Young
Contact Person: Kathaleen Sanders
Fee: \$8,700.00

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2017

Section II – Financial Statement Findings and Questioned Costs:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.

TEXARKANA SPECIAL EDUCATION CENTER, INC.
AND RELATED ENTITIES dba OPPORTUNITIES, INC.
Texarkana, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

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? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weakness(es)? Yes None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the *Uniform Guidance*?
 Yes No

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs:

<u>CFDA #</u>	<u>PROGRAM TITLE</u>
14.195	Housing Assistance Payment Program
93.600	Early Head Start

Section II – Financial Statement Findings and Questioned Costs:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.