

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
(Audited Financial Statements and Other Financial Information)
ALEXANDRIA, LOUISIANA
DECEMBER 31, 2021 AND 2020

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

ALEXANDRIA, LOUISIANA

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AUDITED FINANCIAL STATEMENTS



REGIONS TOWER
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June 28, 2022

To the Board of Directors
Louisiana Quarter Horse Breeders Association
Alexandria, Louisiana

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of assets, liabilities and net assets-modified cash basis of Louisiana Quarter Horse Breeders Association (the Association), a nonprofit organization, as of December 31, 2021 and 2020, and the related statements of revenues and expenses-modified cash basis, functional expenses-modified cash basis and changes in net assets-modified cash basis, for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Quarter Horse Breeders Association as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Quarter Horse Breeders Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Quarter Horse Breeders Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Louisiana Quarter Horse Breeders Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Quarter Horse Breeders Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial

statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on page 13 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2022, on our consideration of Louisiana Quarter Horse Breeders Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Louisiana Quarter Horse Breeders Association's 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 Louisiana Quarter Horse Breeders Association's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED CASH BASIS

DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current assets:</u>		
Cash	1,221,071	1,161,641
Investments	1,412,665	1,173,131
Restricted cash	2,574,839	1,633,010
Investments-restricted	<u>5,498,353</u>	<u>5,286,105</u>
Total current assets	10,706,928	9,253,887
<u>Property, premises, furniture, and equipment:</u>		
Land	107,000	107,000
Building	165,684	165,684
Furniture and equipment	<u>236,162</u>	<u>233,300</u>
	508,846	505,984
<u>Less-accumulated depreciation</u>	<u>(279,270)</u>	<u>(252,469)</u>
Total property, premises, furniture, and equipment	229,576	253,515
<u>Other assets:</u>		
Accounts receivable-trade	49,994	27,071
Deposits	<u>500</u>	<u>500</u>
Total other assets	50,494	27,571
Total assets	<u><u>10,986,998</u></u>	<u><u>9,534,973</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>Current liabilities:</u>		
Accounts payable-other	19,717	40,437
Accrued expenses	<u>14,279</u>	<u>-</u>
Total current assets	<u>33,996</u>	<u>40,437</u>
<u>Other liabilities-long-term:</u>		
Breeders futurity payable	893,050	662,233
LQHBA-youth scholarships	<u>53,790</u>	<u>60,800</u>
Total other liabilities-long-term	<u>946,840</u>	<u>723,033</u>
Total liabilities	980,836	763,470
<u>Net assets:</u>		
Without donor/grantor restriction	1,703,656	1,451,015
With donor/grantor restriction	<u>8,302,506</u>	<u>7,320,488</u>
Total net assets	<u>10,006,162</u>	<u>8,771,503</u>
Total liabilities and net assets	<u><u>10,986,998</u></u>	<u><u>9,534,973</u></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

STATEMENTS OF REVENUES AND EXPENSES - MODIFIED CASH BASIS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		Total
	Without Restriction	With Donor Restriction	
Revenue:			
Slots support fees	-	3,775,604	3,775,604
Video poker tax support	-	1,159,883	1,159,883
State breeders fund support	-	1,005,856	1,005,856
Stallion award fees	14,950	-	14,950
Stallion scholarship fees	74,305	-	74,305
Off track betting	-	22,742	22,742
HBPA contribution	301,784	-	301,784
Futurity fees	103,820	-	103,820
Accreditation fees/foal reports	92,755	-	92,755
Membership fees	47,898	-	47,898
OSM report fees	120,495	-	120,495
Flyer mail income	-	-	-
Yearling and fall mixed sales commissions	761,455	-	761,455
Interest, dividends and unrealized gains	(33,324)	-	(33,324)
PPP loan forgiveness	79,000	-	79,000
Other income	74,390	-	74,390
Total revenues	1,637,528	5,964,085	7,601,613
Net assets released from restriction	4,982,067	(4,982,067)	-
	6,619,595	982,018	7,601,613
Expenses:			
Program services	6,195,093	-	6,195,093
Management and general	171,861	-	171,861
Total expenses	6,366,954	-	6,366,954
Change in net assets	252,641	982,018	1,234,659
Net assets, beginning of year	1,451,015	7,320,488	8,771,503
Net assets, end of year	1,703,656	8,302,506	10,006,162

The accompanying notes are an integral part of these financial statements.

2020		
Without Restriction	With Donor Restriction	Total
-	2,688,336	2,688,336
-	940,327	940,327
-	696,934	696,934
26,163	-	26,163
59,900	-	59,900
-	15,655	15,655
264,157	-	264,157
100,518	-	100,518
82,281	-	82,281
68,721	-	68,721
124,430	-	124,430
700	-	700
618,261	-	618,261
272,641	-	272,641
78,800	-	78,800
14,806	-	14,806
<u>1,711,378</u>	<u>4,341,252</u>	<u>6,052,630.00</u>
<u>4,937,820</u>	<u>(4,937,820)</u>	<u>-</u>
6,649,198	(596,568)	6,052,630
6,272,887	-	6,272,887
<u>169,673</u>	<u>-</u>	<u>169,673</u>
<u>6,442,560</u>	<u>-</u>	<u>6,442,560</u>
206,638	(596,568)	(389,930)
<u>1,244,377</u>	<u>7,917,056</u>	<u>9,161,433</u>
<u>1,451,015</u>	<u>7,320,488</u>	<u>8,771,503</u>

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>		<u>2020</u>	
	<u>Program</u>	<u>Management</u>	<u>Program</u>	<u>Management</u>
	<u>Services</u>	<u>and General</u>	<u>Services</u>	<u>and General</u>
Breeders awards	3,054,760	-	2,930,799	-
Video poker tax awards	1,020,000	-	1,168,372	-
State breeders fund	907,307	-	838,649	-
Yearling and fall mixed sales	278,638	-	418,505	-
Salaries	308,902	66,194	300,859	64,470
Payroll taxes	21,899	4,693	22,081	4,732
Pension expense	8,934	1,914	8,439	1,808
Professional fees	131,317	28,139	131,428	28,163
Advertising	32,944	7,059	11,130	2,385
Trophies, awards, and promotional	87,367	-	79,759	-
Office supplies	14,328	3,070	16,206	3,473
Information technology	7,772	1,665	6,018	1,290
Postage	20,289	4,348	24,675	5,287
Travel, entertainment, convention, and meeting expenses	26,078	5,588	36,066	7,729
Telephone and utilities	10,521	2,254	9,991	2,141
Repairs and maintenance	10,384	2,225	22,284	4,775
Depreciation	22,071	4,730	43,123	9,241
Mare expense-out of state	45,000	-	45,000	-
Insurance	10,221	2,190	9,464	2,028
Other expenses	176,361	37,792	150,039	32,151
Total expenses	<u>6,195,093</u>	<u>171,861</u>	<u>6,272,887</u>	<u>169,673</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies

a. Introduction

The Louisiana Quarter Horse Breeders Association (the Association) is a Louisiana non-profit organization, which seeks to promote and further the quarter horse breeding industry within the State of Louisiana. The Association is engaged in programs for the encouragement and improvement of the raising and breeding of Louisiana-owned quarter horses including, but not limited to, the payment of breeders' awards to breeders of accredited Louisiana-bred horses and supplementing purses for races written for accredited Louisiana-bred horses. In addition, the Association is recognized as the sole official registrar of accredited quarter horse foals in Louisiana, as provided by Louisiana Revised Statute (R. S.) 4:179.

The Association's principal office is located in Alexandria, Louisiana. The Association is under the management and supervision of its Board of Directors. The Board of Directors is composed of 13 members, elected by the Association's membership. The Executive Director is a full-time employee of the Association and serves subject to the direction and instruction of the Board of Directors, and manages the daily operations of the Association.

b. Basis of Accounting

The Association's policy is to prepare its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. That basis differs from accounting principles generally accepted in the United States of America primarily because certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when incurred.

c. Basis of Presentation

Management of the Association believes that it would be more beneficial to the users of the Association's financial statements to report on a modified cash basis of accounting, which is a basis of accounting not in accordance with accounting principles generally accepted in the United States of America.

The Association is required to report information regarding its financial position and activities based on the existence or absence of donor or grantor imposed restrictions, as follows:

Net assets without donor designations – Net assets that are not subject to donor or grantor imposed restrictions. Some net assets without donor restrictions may be designated for specific purposes by action of the governing board.

Net assets with donor designations – Net assets subject to donor or grantor imposed restrictions that may or will be met by actions of the Association.

1. Summary of Significant Accounting Policies (Continued)

d. Income Taxes

The Association meets the requirements of Section 501(c) 5 of the Internal Revenue Code and, therefore, is exempt from federal and state income taxes. The Association has no portion of its income subject to unrelated business taxable income and no income tax provision was incurred in the fiscal years ended December 31, 2021 and 2020.

The Association follows the provisions of the Accounting for Uncertainty in Income Taxes standard of the Financial Accounting Standards Board's, Accounting, Standards Codification, requiring them to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent (50%) likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the years ended December 31, 2021 and 2020, the Association's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters requiring recognition or any affecting its tax-exempt status.

The Association has filed all tax returns currently required by proper federal jurisdiction and the State of Louisiana. The Association's tax returns for 2017 and subsequent remain subject to examination.

e. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

f. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include all demand deposits and certificates of deposits, with original purchased maturities of ninety days or less. Money market accounts held by investment firms are classified as investments.

g. Securities

Securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. The Association classifies all its securities as held for sale and they primarily are mortgage-backed securities.

Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities. Mortgage-backed securities are carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts. Premiums and discounts are amortized using the interest method over the remaining period to contractual maturity.

h. Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities, and are charged directly to either program services or supporting expenses based on the nature of expense.

1. Summary of Significant Accounting Policies (Continued)

i. Sources and Uses of Funds

As mentioned above in (b), to observe the limitations and restrictions placed on the use of available resources, the accounts of the Association are presented in accordance with the specific activity or objective of the fund sources. A brief description of each fund source follows:

Operating Funds

The Operating Funds are used for operating purposes on which there are no restrictions, except the budgetary control provisions provided by the budget adopted by the Board of Directors. The revenues of the Operating Funds include:

Breeders Awards

To assist the Association in its promotion of the industry, R. S. 4:165 (B) (1) (2) (3) provides that the Louisiana State Racing Commission will pay \$800,000 annually to make special stallion awards to owners of stallions of accredited Louisiana bred offspring and to supplement purses and to make special breeders' awards to the breeders of accredited Louisiana bred quarter horses.

Commissions 2%

As provided by R. S. 4:165 (C), each licensee conducting race meetings shall withhold 1% of the total supplemental purse to be paid to the Association. The amounts withheld from the supplemental purses shall be paid to the Association for operating and administrative expenses.

Other Operating Funds

The Association records interest earned on investments, membership dues, accrediting fees, and miscellaneous revenues when received.

Slot Machine Funds

As prescribed by Louisiana R. S. 27:361(B)(4)(c), each licensed eligible facility shall pay a fixed percentage of 1% of the annual net slot machine proceeds received from slot machine gaming operations at the licensed eligible facility to the Association. The Executive Committee of the Association shall distribute such amount, according to a schedule or formula and within a time period, which shall be established by the Committee, for special breeder awards to the breeders of accredited Louisiana-bred horses.

Video Draw Poker Device Purse Supplement Funds

As enacted by Louisiana Revised Statute 27:439(B)(2) & (2) (a), monies in the Video Draw Poker Device Purse Supplement Fund shall be annually appropriated to the Department of Economic Development, Louisiana State Racing Commission, and shall be allocated by the commission.

One-third of the funds appropriated to the commission pursuant to the act are allocated and provided to The Louisiana Quarter Horse Breeders Association. The funds are distributed periodically based on requests from the Association for scheduled race days during active race meetings. The funds shall be used solely to supplement purses and are maintained in separate accounts and thus restricted funds.

1. Summary of Significant Accounting Policies (Continued)

Yearling and Mixed Sales

The Association conducts annual yearling and mixed sales and receives a commission on the sales proceeds to conduct the sales. Some board members participate in these sales on occasions. The transactions between the Association and board members are exchanged at an arms-length transaction with no special considerations.

j. Accounting Changes

Recent Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued **Accounting Standards Update (“ASU”) 2014-09**, Revenue from Contracts with Customers, to replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers. The guidance is codified at FASB ASC 606. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Association’s revenue is composed of fees and tax support, memberships, and commissions on sales. The Association’s services that fall within the scope of ASC 606 are presented within income and are recognized as revenue as the Association satisfies its obligation to the customer. Adoption of ASU 2014-09, which was effective for the Association on January 1, 2019, did not have a material impact on the financial statements.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued **ASU 2016-02**, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term.

Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity’s leasing activities. Also, the new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented.

k. Property, Premises, Furniture and Equipment

Property, premises, furniture, and equipment are carried at cost less accumulated depreciation. Depreciation of premises, furniture, and equipment is provided on the straight-line and accelerated methods over the estimated useful lives of the related assets. Expenditures for major renewals and betterments of association premises and equipment are capitalized, and those for maintenance and repairs are charged to expense as incurred. When premises and equipment are retired or otherwise disposed of, the cost of the assets and related accumulated depreciation are removed from the accounts and the resulting gains or losses are recognized.

2. Investment Securities and Certificates of Deposit

Securities held to maturity and certificates of deposit consist of the following:

	<u>2021</u>	<u>2020</u>
Restricted:		
Investments at Wells Fargo		
Mortgage backed securities (level 1, market value)	2,288,670	3,433,582
Money market accounts (level 3, cost approximates market value)	<u>3,209,683</u>	<u>1,852,523</u>
Total	<u><u>5,498,353</u></u>	<u><u>5,286,105</u></u>
Non-restricted:		
Investments at Wells Fargo		
Mortgage backed securities (level 1, market value)	497,792	675,847
Money market accounts (level 3, cost approximates market value)	<u>914,873</u>	<u>497,284</u>
Total	<u><u>1,412,665</u></u>	<u><u>1,173,131</u></u>

The Association follows *Fair Value Measurements* which among other things require enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2. Investment Securities and Certificates of Deposit (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value

U. S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the funds are traded.

Money market: Approximates fair value because of the immediate or short-term maturities of these financial statements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the financial statements.

3. Functional Classification of Expenses

The Association reports expenses in its Statement of Revenues and Expenses - Modified Cash Basis in the natural expense categories. Financial Accounting Standards requires disclosure of expenses between the functional classifications of program and support.

4. Defined Contribution Pension Plan

All full-time employees are currently eligible to participate in a simple IRA retirement plan. Contributions to the Plan by the Association totaled \$10,848 and \$10,247 for the years ended December 31, 2021 and 2020, respectively.

5. Paycheck Protection Program

In February 2021, the Association received a \$79,000 loan under the Small Business Administration's Paycheck Protection Program (the "Program"). Loan proceeds are to be used to cover payroll expenses and certain other overhead expenses as defined by the Program. To the extent the Association is able to use the proceeds for qualified expenses, loan proceeds may be forgiven. Payments on any unforgiven loan proceeds are due monthly beginning 17 months from loan origination and bear interest at 1.0%. On September 16, 2021, the Association received notice from the SBA the loan and all accrued interest had been forgiven in full.

6. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 28, 2022, noted the following significant subsequent event as of this date.

SUPPLEMENTARY INFORMATION

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION
SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH
LOUISIANA REVISED STATUTE 24:513(A)(3) (ACT 706 OF 2014)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2021

Bruce Salard, Executive Director:

Salary	141,181
Car allowance	7,200
Cell phone	1,317
Retirement	14,180
Health insurance	9,000

OTHER FINANCIAL INFORMATION



REGIONS TOWER
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June 28, 2022

To the Board of Directors
Louisiana Quarter Horse Breeders Association
Alexandria, Louisiana

**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**

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 Louisiana Quarter Horse Breeders Association (a non-profit organization), which collectively comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2021, and the related statements of revenues and expenses-modified cash basis, and changes in net assets-modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

Our consideration of internal control over financial reporting 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 Louisiana Quarter Horse Breeders Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters, that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Legislative Auditor of the State of Louisiana, the Louisiana Quarter Horse Breeders Association's management and Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

LOUISIANA QUARTER HORSE BREEDERS ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2021

I. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Louisiana Quarter Horse Breeders Association.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance were disclosed during the audit.
4. Louisiana Quarter Horse Breeders Association is not subject to a federal single audit for the year ended December 31, 2021.

II. Findings – Financial Statement Audit

None

III. Findings – Prior Year

None



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June 28, 2022

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Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2021

We have performed the procedures enumerated below, which were agreed to by Louisiana Quarter Horse Breeders Association (Association) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. The Association's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) **Disbursements**, including processing, reviewing, and approving.
- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employees rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Findings

No exceptions were identified in the performance of the procedures listed above.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Findings

No exceptions were identified in the performance of the procedures listed above.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Findings

No exceptions were identified in the performance of the procedures listed above.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Findings

The number of days from collection to deposit exceeded one day in the week tested. The Association makes weekly deposits. The Association does not record the date checks are received. HVM used the check date and compared that for reasonableness. HVM notes all deposits tested were deposited with in ten days of the check date.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Management's Response: Date check received is written on form received (foaling report, out of state mare form, etc). Check and envelope with postmark are maintained in file.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings

Bookkeeper has the ability to add vendors and process payments. The Executive Director reviews bank statements and monitors the vendor listing for vendors that are not approved. We do not see this as an exception. The entity has segregated duties to the fullest extent possible with a small staff. The risk is mitigated with reviews by the Executive Director and an active board.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Findings

We found two instances where the business purpose of the purchase was not listed and the meal participants were not listed.

Except as otherwise stated, no exceptions were identified in the performance of the procedures listed above.

Management's Response: Participant names and purpose of meeting/meal will be included on future meal receipts.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration.
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings

No exceptions were identified in the performance of the procedures listed above.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Findings

No exceptions were identified in the performance of the procedures listed above.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Findings

No exceptions were identified in the performance of the procedures listed above.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.

Findings

Not applicable to not-for-profit entities.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Findings

Not applicable to not-for-profit entities.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Findings

No exceptions were identified in the performance of the procedures listed above.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures:

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Findings

No exceptions were identified in the performance of the procedures listed above.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

e) Amount of time it took to resolve each complaint.

Findings

Not applicable to not-for-profit entities.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana