

**Hearts of Hope**

Financial Report

Years Ended December 31, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Officers and Board of Directors  
Hearts of Hope  
Lafayette, Louisiana

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hearts of Hope 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, and the standards applicable to financial audits contained in *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 Statement section of our report. We are required to be independent of Hearts of Hope and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 Hearts of Hope'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 generally accepted auditing standards 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 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 generally accepted auditing standards and *Government Auditing Standards*, we will exercise professional judgment and maintain professional skepticism throughout the audit. We will 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. We will 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 Hearts of Hope's internal control. Accordingly, no such opinion is expressed. We will 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. We will conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearts of Hope'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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 September 27, 2022, on our consideration of Hearts of Hope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hearts of Hope'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 Hearts of Hope's internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 27, 2022

**FINANCIAL STATEMENTS**

HEARTS OF HOPE  
Lafayette, Louisiana

Statements of Financial Position  
December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 305,465	\$ 351,779
Grants receivable	154,128	131,387
Prepaid expenses	22,553	20,039
Total current assets	482,146	503,205
Property and equipment, net	463,747	475,682
Other assets:		
Beneficial interest in assets held by others	75,507	70,899
Total assets	\$ 1,021,400	\$ 1,049,786
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 7,969	\$ 7,720
Accrued payroll	19,377	15,785
Payroll tax liabilities	3,583	2,995
Accrued compensated absences	13,147	13,182
Note payable	2,823	6,038
Total current liabilities	46,899	45,720
Net assets:		
Without donor restrictions:		
Designated for endowment	75,507	70,899
Undesignated	898,994	933,167
Total net assets	974,501	1,004,066
Total liabilities and net assets	\$ 1,021,400	\$ 1,049,786

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE  
Lafayette, Louisiana

Statement of Activities  
Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Grants	\$ 879,960	\$ -	\$ 879,960
Public support donations	12,417	-	12,417
Fundraising	19,770	-	19,770
Other income	620	-	620
Service fees	69,600	-	69,600
Investment income	1,174	-	1,174
Unrealized gain on investments	3,969	-	3,969
Total support and revenues	<u>987,510</u>	<u>-</u>	<u>987,510</u>
Expenses:			
Program services-			
Children's Advocacy Center	289,307	-	289,307
Sexual Abuse Response Center	330,652	-	330,652
Sexual Assault Nurse Examiners	183,852	-	183,852
	<u>803,811</u>	<u>-</u>	<u>803,811</u>
Supporting services -			
Management and general	195,450	-	195,450
Fundraising	17,814	-	17,814
Total supporting services	<u>213,264</u>	<u>-</u>	<u>213,264</u>
Total expenses	<u>1,017,075</u>	<u>-</u>	<u>1,017,075</u>
Change in net assets	(29,565)	-	(29,565)
Net assets, beginning of year	<u>1,004,066</u>	<u>-</u>	<u>1,004,066</u>
Net assets, end of year	<u>\$ 974,501</u>	<u>\$ -</u>	<u>\$ 974,501</u>

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE  
Lafayette, Louisiana

Statement of Activities  
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Grants	\$ 863,843	\$ -	\$ 863,843
Public support donations	11,685	-	11,685
Fundraising	22,873	-	22,873
Other income	1,597	-	1,597
Service fees	92,000	-	92,000
Investment income	1,326	-	1,326
Unrealized gain on investments	3,048	-	3,048
Total support and revenues	<u>996,372</u>	<u>-</u>	<u>996,372</u>
Expenses:			
Program services-			
Children's Advocacy Center	252,755	-	252,755
Sexual Abuse Response Center	292,640	-	292,640
Sexual Assault Nurse Examiners	182,075	-	182,075
	<u>727,470</u>	<u>-</u>	<u>727,470</u>
Supporting services -			
Management and general	158,762	-	158,762
Fundraising	20,481	-	20,481
Total supporting services	<u>179,243</u>	<u>-</u>	<u>179,243</u>
Total expenses	<u>906,713</u>	<u>-</u>	<u>906,713</u>
Change in net assets	89,659	-	89,659
Net assets, beginning of year	<u>914,407</u>	<u>-</u>	<u>914,407</u>
Net assets, end of year	<u>\$ 1,004,066</u>	<u>\$ -</u>	<u>\$ 1,004,066</u>

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE  
Lafayette, Louisiana

Statement of Functional Expenses  
For the Year Ended December 31, 2021

	Program Services				Supporting Services			Total Expenses
	CAC Program Activities	SARC Program Activities	SANE Program Activities	Total	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 175,773	\$ 205,067	\$ 87,886	\$ 468,726	\$ 105,463	\$ 11,718	\$ 117,181	\$ 585,907
Employee benefits -								
Payroll taxes	13,446	15,686	6,723	35,855	8,067	896	8,963	44,818
Group insurance	21,795	25,427	10,897	58,119	13,077	1,453	14,530	72,649
Retirement	910	288	-	1,198	-	-	-	1,198
Total payroll and related expenses	211,924	246,468	105,506	563,898	126,607	14,067	140,674	704,572
Annual project/fundraising	-	-	-	-	-	3,747	3,747	3,747
Cleaning	-	-	-	-	11,073	-	11,073	11,073
Client services	19,120	22,305	-	41,425	-	-	-	41,425
Contract labor	5,227	-	51,427	56,654	-	-	-	56,654
Depreciation	5,241	6,116	2,621	13,978	3,495	-	3,495	17,473
Dues and fees	727	849	364	1,940	485	-	485	2,425
Education and professional development	4,167	4,861	2,083	11,111	2,778	-	2,778	13,889
Insurance	5,917	6,904	2,959	15,780	3,945	-	3,945	19,725
Interest	-	-	-	-	647	-	647	647
Legal and accounting	7,412	8,648	3,706	19,766	4,942	-	4,942	24,708
Meetings and receptions	255	296	127	678	169	-	169	847
Miscellaneous	746	871	373	1,990	498	-	498	2,488
Office expense/supplies	9,731	11,353	4,866	25,950	6,487	-	6,487	32,437
Rape kits and supplies	-	-	400	400	-	-	-	400
Rent/building maintenance	-	-	-	-	20,299	-	20,299	20,299
Taxes and licenses	-	-	-	-	1,465	-	1,465	1,465
Technology	13,873	16,186	6,937	36,996	9,249	-	9,249	46,245
Telephone	1,659	1,937	830	4,426	1,107	-	1,107	5,533
Travel	1,215	1,416	607	3,238	809	-	809	4,047
Utilities	2,093	2,442	1,046	5,581	1,395	-	1,395	6,976
<b>Total</b>	<b>\$ 289,307</b>	<b>\$ 330,652</b>	<b>\$ 183,852</b>	<b>\$ 803,811</b>	<b>\$ 195,450</b>	<b>\$ 17,814</b>	<b>\$ 213,264</b>	<b>\$ 1,017,075</b>

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE  
Lafayette, Louisiana

Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services				Supporting Services			Total Expenses
	CAC Program Activities	SARC Program Activities	SANE Program Activities	Total	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 164,545	\$ 191,972	\$ 82,275	\$ 438,792	\$ 98,728	\$ 10,970	\$ 109,698	\$ 548,490
Employee benefits -								
Payroll taxes	12,112	14,130	6,056	32,298	7,267	807	8,074	40,372
Group insurance	17,185	20,049	8,592	45,826	10,311	1,146	11,457	57,282
Retirement	1,098	347	-	1,445	-	-	-	1,445
Total payroll and related expenses	194,940	226,498	96,923	518,361	116,306	12,923	129,229	647,589
Annual project/fundraising	-	-	-	-	-	7,558	7,558	7,558
Cleaning	-	-	-	-	8,037	-	8,037	8,037
Client services	18,416	21,484	-	39,900	-	-	-	39,900
Contract labor	-	-	56,168	56,168	-	-	-	56,168
Depreciation	5,199	6,066	2,600	13,865	3,466	-	3,466	17,332
Dues and fees	479	558	239	1,276	319	-	319	1,595
Education and professional development	4,141	4,831	2,070	11,042	2,761	-	2,761	13,803
Insurance	7,341	8,565	3,671	19,577	4,894	-	4,894	24,471
Interest	-	-	-	-	607	-	607	607
Legal and accounting	4,462	5,206	2,231	11,899	2,975	-	2,975	14,874
Meetings and receptions	430	501	215	1,146	286	-	286	1,432
Miscellaneous	665	776	332	1,773	443	-	443	2,216
Office expense/supplies	5,301	6,186	2,651	14,138	3,535	-	3,535	17,673
Public relations	1,125	-	-	1,125	750	-	750	1,875
Rape kits and supplies	-	-	9,846	9,846	-	-	-	9,846
Rent/building maintenance	-	-	-	-	6,083	-	6,083	6,083
Taxes and licenses	-	-	-	-	1,460	-	1,460	1,460
Technology	5,835	6,809	2,918	15,562	3,891	-	3,891	19,453
Telephone	1,544	1,802	772	4,118	1,030	-	1,030	5,148
Travel	854	998	428	2,280	570	-	570	2,850
Utilities	2,023	2,360	1,011	5,394	1,349	-	1,349	6,743
<b>Total</b>	<b>\$ 252,755</b>	<b>\$ 292,640</b>	<b>\$ 182,075</b>	<b>\$ 727,470</b>	<b>\$ 158,762</b>	<b>\$ 20,481</b>	<b>\$ 179,243</b>	<b>\$ 906,713</b>

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE  
Lafayette, Louisiana

Statements of Cash Flows  
For The Year Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (29,565)	\$ 89,659
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities -		
Depreciation	17,473	17,332
Earnings restricted for long-term endowment	(639)	(741)
Unrealized gain on investments	(3,969)	(3,048)
Change in current assets and liabilities:		
Grants receivable	(22,741)	(54,241)
Other receivables	-	5,327
Prepaid expenses	(2,514)	(6,779)
Accounts payable	249	5,708
Accrued payroll	3,592	5,739
Payroll tax liabilities	588	(186)
Accrued compensated absences	(35)	11,045
Net cash provided (used) by operating activities	<u>(37,561)</u>	<u>69,815</u>
Cash flows from investing activities:		
Contribution to endowment assets	<u>-</u>	<u>(150)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term debt	(3,215)	1,902
Purchase of fixed assets	<u>(5,538)</u>	<u>(10,484)</u>
Net cash used by financing activities	<u>(8,753)</u>	<u>(8,582)</u>
Net increase (decrease) in cash and cash equivalents	(46,314)	61,083
Cash and cash equivalents, beginning of year	<u>351,779</u>	<u>290,696</u>
Cash and cash equivalents, end of year	<u>\$ 305,465</u>	<u>\$ 351,779</u>
Supplemental disclosure for the statement of cash flows:		
Interest paid	<u>\$ 647</u>	<u>\$ 607</u>

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Hearts of Hope (the Organization) is a non-profit organization that is dedicated to providing help and healing for survivors of sexual trauma and violent crime, to providing help to lessen the trauma experienced by child victims when abuse allegations are investigated and throughout court proceedings and to conducting and documenting skillful forensic evidence collection with compassionate care when a patient makes a disclosure of sexual assault. Staff and volunteers maintain a 24-hour crisis line and provide escort services to the area hospitals.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that will be met, either (1) expire by incurring expenses satisfying the restricted purpose (purpose restricted), and/or the passage of time or other events (time restricted), or (2) will never expire (perpetual in nature). When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

C. Cash and Cash Equivalents

The organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

D. Property and Equipment

Property and equipment are valued at cost, if purchased. Donations of property and equipment are recorded as contributions at their estimated fair value. Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	7 - 39 years
Office equipment, furniture and fixtures	5 - 15 years

E. Revenue and Expense Recognition

Contributions are recognized when the donor makes a commitment to give and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. Pledges that are designated by the donor for specific beneficiaries are considered agency transactions and are not considered contributions and thus are reduced from pledge revenue.

Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

F. Functional Allocation of Expenses

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square-footage basis, as well as salaries and related benefits, which are allocated on the basis of time and effort.

G. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. Accounting principles generally accepted in the United States of American require the Organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclose in the financial statements. The Organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

H. Compensated Absences

Sick time is accumulated as a single compensated absence. Eight hours are earned per month for all full-time employees (employees working 30 hours or more per week). Any unused accumulated balance can be carried forward to the following year. However, sick leave is forfeited upon leaving employment; accordingly, no liability has been recorded in the accompanying financial statements for sick time. Vacation time is earned monthly based on length of service for all full-time employees. Any unused accumulated balance is forfeited at the end of each year. However, earned vacation time is paid-out upon termination of employment; accordingly, a liability has been recorded in the accompanying financial statements for vacation time. Accrued compensated absences as of December 31, 2021 and 2020 amounted to \$13,147 and \$13,182, respectively.

I. Donated Facilities, Materials, and Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services during the year. These donated services are not reflected in the statement of activities because the criteria for recognition under professional standards have not been satisfied; however, these services are valuable to the Organization's programs.

J. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(2) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of donor-imposed regulation and board designations.

	2021	2020
Financial assets, at year-end	\$ 535,100	\$ 554,065
Less those unavailable for general expenditures within one year, due to:		
Board designations-		
Endowment fund	(75,507)	(70,899)
Financial assets available to meet cash needs for general expenditures within one year	\$ 459,593	\$ 483,166

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

At December 31, 2021 and 2020, the Organization had \$459,593 and \$483,166 of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$305,465 and \$351,779, and grants receivable of \$154,128 and \$131,387, respectively. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation become due.

(3) Endowment Fund

During fiscal year ending 2003, Hearts of Hope and the Community Foundation of Acadiana (Foundation) entered into an agreement to manage an endowment fund to support the mission of the Organization. The Foundation has limited variance power over the fund. In the event that a donor restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community, the Foundation may modify the restriction through the exercise of the variance power. Distribution from the Fund can be made solely for the support of the purposes of the Organization once the investment has reached \$1,000,000, as stipulated by the Organization's Board of Directors. Effective September 14, 2021, the Organization's Board of Directors removed the \$1,000,000 stipulation. The Board designated \$0 and \$150 for endowment purposes for the years ended December 31, 2021 and 2020, respectively. The fund is invested in 50% equity funds, 45% in fixed income funds, and 5% in money market funds. The assets of the fund shall be held and invested by the Foundation. There were no distributions from the fund during the years ended December 31, 2021 and 2020.

The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The endowment investment is reflected in the financial statements as a Beneficial Interest in Assets Held by Others and Net Assets without Donor Restrictions – Designated for Endowment. The changes in endowment net assets for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Board-designated endowment net assets, beginning of year	\$ 70,899	\$ 66,960
Contributions	-	150
Net unrealized/realized gain (loss)	3,969	3,048
Interest	1,006	1,076
Fees	(367)	(335)
Board-designated endowment net assets, end of year	\$ 75,507	\$ 70,899

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(4) Property and Equipment

Property and equipment consist of the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 559,064	\$ 553,526
Office equipment, furniture and fixtures	<u>42,351</u>	<u>42,351</u>
Total property and equipment	601,415	595,877
Less: Accumulated depreciation	<u>(137,668)</u>	<u>(120,195)</u>
Property and equipment, net	<u>\$ 463,747</u>	<u>\$ 475,682</u>

Total depreciation expense for the years ended December 31, 2021 and 2020 was \$17,473 and \$17,332, respectively.

(5) Note Payable

On May 4, 2021, the Organization entered into an interest-bearing note agreement in the amount of \$15,551 to finance insurance premiums. The note will require ten monthly installments of \$1,623 bearing an interest rate of 9.4%. On June 3, 2020, the Organization entered into an interest-bearing note agreement in the amount of \$7,929 to finance insurance premiums. The note will require nine monthly installments of \$923 bearing an interest rate of 11.4%. On May 4, 2020, the Organization entered into an interest-bearing note agreement in the amount of \$5,908 to finance insurance premiums. The note will require ten monthly installments of \$622 bearing an interest rate of 11.4%. At December 31, 2021 and 2020, the amount outstanding on the note payable was \$2,823 and \$6,038, respectively. Interest expense amounted to \$647 and \$607 for the years ended December 31, 2021 and 2020, respectively.

(6) Retirement Plan

The Organization provides their employees the opportunity to participate in a "Simple IRA" retirement plan. All eligible employees who work full time or over 30 hours per week may contribute from one percent (1%) of their gross pay upward. The Organization matches the employees' contribution up to two percent (2%) of gross pay. Contributions made for the years ended December 31, 2021 and 2020 totaled \$1,198 and \$1,445, respectively.

(7) Operating Leases

The Organization leases copiers under operating leases expiring at various dates through 2024. Total lease expense for the years ended December 31, 2021 and 2020 for copier leases totaled \$8,496 and \$7,880, respectively.

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

The following is a schedule by year of future minimum lease payments under leases that have initial or remaining lease terms in excess of one year.

<u>Years Ending</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ 6,840
2023	6,840
2024	1,140
Total	<u>\$ 14,820</u>

(8) Concentration of Credit Risk

The Organization maintains cash balances at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021 and 2020, the Organization's had unsecured cash balances of \$55,517 and \$101,779, respectively.

(9) Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Hearts of Hope expects such amounts, if any, to be immaterial. Also, a liability for findings and questioned costs is not established until final disposition of such matters by the funding agency.

(10) Risk Management

Hearts of Hope is exposed to risks of loss in the areas of health care, general liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year. Insurance settlements have not exceeded insurance coverage the past three years.

(11) Fair Value Measurements

Professional standards require the disclosure for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The standards establish 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of inputs used to measure fair value are as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

- b. Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- c. Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by the Organization in estimating fair values of financial instruments:

- a. The carrying amount reported in the statement of financial position for the following approximates fair value due to the short maturities of these instruments: cash, certificates of deposits, receivables, and payables.
- b. The fair value for investment securities are based on quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

The following table presents assets that are measured at fair value on a recurring basis at December 30, 2021 and 2020:

Description	December 31, 2021			
	Total	(Level 1)	(Level 2)	(Level 3)
Fixed income	\$ 24,313	\$ 24,313	\$ -	\$ -
Equity	27,015	27,015	-	-
	<u>\$ 51,328</u>	<u>\$ 51,328</u>	<u>\$ -</u>	<u>\$ -</u>

  

Description	December 31, 2020			
	Total	(Level 1)	(Level 2)	(Level 3)
Fixed income	\$ 23,973	\$ 23,973	\$ -	\$ -
Equity	26,637	26,637	-	-
	<u>\$ 50,610</u>	<u>\$ 50,610</u>	<u>\$ -</u>	<u>\$ -</u>

(12) Compensation, Benefits, and Other Payments to Agency Head

The schedule of compensation, benefits and other payments to Kimberly Young, Executive Director, for the year ended December 31, 2021 follows:

Purpose	Amount
Salary	\$ 90,529
Benefits - insurance	10,537
Benefits - retirement	2,600
Travel	53

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(13) New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is evaluating the potential impact of the amendment on the Organization's financial statements. The effect of implementation of this new pronouncement on the Organization financial statements has not yet been determined.

(14) Subsequent Event Review

The Organization's management has evaluated subsequent events through September 27, 2022, the date which the financial statements were available to be issued.

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officers and Board of Directors  
Hearts of Hope  
Lafayette, Louisiana

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 Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2022.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hearts of Hope's internal control over financial reporting (internal control) as a basis for designing 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 Hearts of Hope's internal control. Accordingly, we do not express an opinion on the effectiveness of Hearts of Hope's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Hearts of Hope's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-002.

## **Hearts of Hope's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Hearts of Hope's response to the findings identified in our audit and described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. Hearts of Hope's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 27, 2022

# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Officers and Board of Directors  
Hearts of Hope  
Lafayette, Louisiana

### Report on Compliance for Each Major Federal Program

We have audited Hearts of Hope (Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal program for the year ended December 31, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2021.

### Basis for Opinion on Each Major Federal Program

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Organization's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Organization's federal programs.

### ***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. However, this report is a matter of public record and its distribution is not limited.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 27, 2022

HEARTS OF HOPE  
Lafayette, Louisiana

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Assistance I.D. Number	Pass- Through Grantor's Number	Federal Expenditures
Pass-through Programs:				
U. S. Department of Justice -				
Louisiana Commission on Law Enforcement:				
Sexual Assault Services Formula Program - Sexual Assault Services Program	16.017	2020-KF-AX-0051	2020-KF-01-5720	\$ 51,583
Juvenile Justice & Delinquency Prevention Program	16.540	N/A	N/A	6,658
Crime Victim Assistance -				
Victims Assistance Program 4	16.575	2018-V2-GX-0042	2018-VA-03-5000	330,581
Victims Assistance Program 4	16.575	2019-V2-GX-0059	2019-VA-01-5850	211,945
				<u>542,526</u>
Violence Against Women Formula Grants -				
Sexual Assault Program	16.588	2019-WF-AX-0057	2020-WF-03-5731	24,526
Louisiana Alliance of Children's Advocacy Centers:				
Services for Trafficking Victims	16.320	N/A	5-LAF-01	23,445
Services for Trafficking Victims	16.320	N/A	5-LAF-03	23,204
				<u>46,649</u>
National Children's Alliance:				
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	2018-CI-FX-K003	Lafa-LI-PD21	24,910
U. S. Department of Health and Human Services -				
Louisiana Foundation Against Sexual Assault, Inc:				
Injury Prevention and Control Research and State and Community Based Programs - Rape Prevention and Education	93.136	N/A	N/A	60,068
Louisiana Alliance of Children's Advocacy Centers				
Child Abuse and Neglect State Grants	93.669	N/A	CAPTA-LAF-008-01	16,200
TOTAL FEDERAL AWARDS				<u>\$ 773,120</u>

HEARTS OF HOPE  
Lafayette, Louisiana

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2021

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Hearts of Hope (a nonprofit organization). Hearts of Hope's reporting entity is defined in Note 1 to the financial statements for the year ended December 31, 2021. All federal financial assistance received directly from federal agencies is included in the schedule as well as federal financial assistance passed through other government agencies.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to Hearts of Hope's financial statements for the year ended December 31, 2021.

(3) Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate.

HEARTS OF HOPE  
Lafayette, Louisiana

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2021

Part I. Summary of Auditor's Results:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Hearts of Hope were prepared in accordance with GAAP.
2. There were no significant deficiencies in internal control over financial reporting that were disclosed during the audit of the financial statements. There was one material weakness reported.
3. There was one instance of noncompliance material to the financial statements of Hearts of Hope, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There was one significant deficiency in internal control over the major federal award program disclosed during the audit. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award program for Hearts of Hope expresses an unmodified opinion on all major federal programs.
6. There were audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this schedule.
7. The program tested as a major program was: Crime Victim Assistance (16.575).
8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Hearts of Hope was determined to not be a low-risk auditee.

Part II. Findings – Financial Statements Audit:

A. Internal Control Findings-

2021-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2019

CRITERIA: The Organization should have a control policy according to which no person should be given responsibility for more than one related function.

CONDITION: The Organization did not have adequate segregation of accounting functions.

CAUSE: Due to the size of the Organization, there are a small number of available employees.

EFFECT: The Organization has employees that are performing more than one related function.

RECOMMENDATION: The Organization should establish and monitor mitigating controls over functions that are not completely segregated.

MANAGEMENT'S CORRECTION ACTION PLAN: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. Management will continue to monitor mitigating controls over accounting functions that are not completely segregated.

HEARTS OF HOPE  
Lafayette, Louisiana

Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2021

B. Compliance Findings –

2021-002 Failure to File Audited Financial Statements Timely

Fiscal year finding initially occurred: 2021

**CRITERIA:** In accordance with Louisiana Revised Statute 24:513, the Organization must complete and submit an audit of their financial statements within six months of the close of their fiscal year to the Legislative Auditor's office.

**CONDITION:** The Organization's annual audited financial statements were not filed timely for the fiscal year ended December 31, 2021.

**CAUSE:** The Organization's management did not take the appropriate actions to ensure its annual financial statement audit was completed within six months of the close of their fiscal year.

**EFFECT:** The Organization did not comply with Louisiana Revised Statute 24.513.

**RECOMMENDATION:** The Organization should take necessary actions to ensure their annual financial statement audit is completed and submitted within six months of the close of their fiscal year.

**MANAGEMENT'S CORRECTION ACTION PLAN:** The Organization's management will take the appropriate actions to ensure that their annual financial statement audit is completed and submitted within the prescribed deadline.

Part III. Findings and questioned costs – Major Federal Award Programs Audit:

A. Internal Control Findings -

U.S. DEPARTMENT OF JUSTICE

2021-003 Distribution of Allocable Costs

Fiscal year finding initially occurred: 2021

Crime Victim Assistance (16.575)

2018-V2-GX-0042, 2019-V2-GX-0059

**Criteria:** In accordance with 2 CFR Part 230, the Organization should have a control policy to allocate costs that benefit both a federal program and other work in a manner that is reasonably proportionate to the benefits received.

**Condition:** The Organization had certain occupancy costs that were not being distributed in a reasonable proportion to the benefits received.

**Cause:** The Organization does not have a policy to distribute costs to federal programs in proportion to the benefits received.

HEARTS OF HOPE  
Lafayette, Louisiana

Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2021

Effect: Due to the lack of policies, the Organization has occupancy costs that are not being allocated in proportion to the benefits received. As a result, the Organization has occupancy costs that are both under and over charged to the federal program with the net effect being an under charge to the federal program.

Recommendation: The Organization should establish policies and procedures to determine an appropriate allocable base for charges that benefit more than one program in order to distribute cost based on the benefits received.

Views of Responsible Officials and Planned Corrective Action: The Organization agrees with this finding and will establish procedures to determine an appropriate basis to allocate shared costs proportionate to the benefits received by the programs.

B. Compliance Findings -

U.S. DEPARTMENT OF JUSTICE

2021-004 Distribution of Allocable Costs

Fiscal year finding initially occurred: 2021

Crime Victim Assistance (16.575)

2018-V2-GX-0042, 2019-V2-GX-0059

See Internal Control Finding 2021-003.



September 27, 2022

U.S. Department of Justice

The management of Hearts of Hope respectfully submits the following corrective action plan for the year ended December 31, 2021.

**Audit conducted by:**

Kolder, Slaven & Company, LLC  
183 S. Beadle Road  
Lafayette, Louisiana 70508

**Audit Period:** January 1, 2021- December 31, 2021

The findings from the December 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS- FINANCIAL STATEMENT AUDIT**

Internal Control Finding:

*Material Weakness-*

**2021-001: Inadequate Segregation of Accounting Functions**

Recommendation: The Organization should have a control policy according to which no person should be given responsibility for more than one related function.

Corrective Action Plan: Management will establish and monitor mitigating controls over functions that are not completely segregated.

Compliance Finding:

**2021-002: Failure to File Audited Financial Statements Timely**

Recommendation: In accordance with Louisiana Revised Statute 24:513, the Organization should complete and submit their audit of the financial statements within six months of the close of their fiscal year to the Legislative Auditor's office.

Corrective Action Plan: The Organization's management will take the appropriate actions to ensure that their annual financial statement audit is completed and submitted within the prescribed deadline.

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Educate. Advocate. Empower.

**FINDINGS- FEDERAL AWARD PROGRAMS AUDIT**

Internal Control Finding:

**U.S. DEPARTMENT OF JUSTICE**

*Significant Deficiency-*

Crime Victim Assistance (16.575)

**2021-003** Distribution of Allocable Costs

Recommendation: In accordance with 2 CFR Part 230, the Organization should have a control policy to allocate costs that benefit both a federal program and other work in a manner that is reasonably proportionate to the benefits received.

Corrective Action Plan: The Organization agrees with this finding and will establish procedures to determine an appropriate basis to allocate shared costs proportionate to the benefits received by the programs.

Compliance Finding:

**U.S. DEPARTMENT OF JUSTICE**

Crime Victim Assistance (16.575)

**2021-004** Distribution of Allocable Costs

See Internal Control Finding 2021-003.

The findings noted above will be evaluated and corrective action will be taken as indicated on the respective finding. Should any federal or state pass-through agencies have questions regarding this plan, please contact Kimberly Young, Executive Director at 337-269-1557.

Sincerely,



Kimberly Young  
Executive Director



Hearts of Hope  
Summary Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2021

**FINDINGS - FINANCIAL STATEMENT AUDIT:**

Internal Control Findings –

**2020-001 Inadequate Segregation of Accounting Functions**

Fiscal year finding initially occurred: 2019

Condition

The Organization did not have adequate segregation of duties within the accounting functions.

Views of Responsible Officials and Planned Corrective Action

Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. Management will continue to monitor mitigating controls over accounting functions that are not completely segregated.

Current Status: Not resolved. See Internal Control Finding 2021-001.

Sincerely,



Kimberly Young  
Executive Director

**HEARTS OF HOPE**

Lafayette, Louisiana

Agreed-Upon Procedures Report

Year Ended December 31, 2021

# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Officers and Board of Directors  
of Hearts of Hope and the  
Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2021 through December 31, 2021. Hearts of Hope's management is responsible for those C/C areas identified in the SAUPs.

Hearts of Hope has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

1. We obtained and inspected Hearts of Hope's written policies and procedures and observed that they address each of the following categories and subcategories if applicable to public funds and the 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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) 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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to 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) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in 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.

#### ***Board or Finance Committee***

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- 2. We obtained and inspected 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) Observed 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) Observed that 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) Obtained the prior year audit report and observe the unassigned fund balance in the General Fund, for governmental entities. 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 unrestricted fund balance in the General Fund.

### ***Bank Reconciliations***

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3. We obtained a listing of Hearts of Hope's bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the main operating account. We selected the entity's main operating account and randomly selected 4 additional accounts (or all accounts if less than 5). We randomly selected one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected accounts, and observed that:
  - a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) Bank reconciliations included 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.

### ***Collections (excluding electronic fund transfers)***

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4. We obtained 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. We randomly selected 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:
  - a) Employees that are 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 verifies the reconciliation.
6. We obtained from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. We observed the bond or insurance policy for theft was enforced during the fiscal period.

7. We randomly selected two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected 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.* We obtained supporting documentation for each of the 10 deposits and:
  - a) Observed that receipts are sequentially pre-numbered.
  - b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Traced the deposit slip total to the actual deposit per the bank statement.
  - d) Observed that 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) Traced the actual deposit per the bank statement to the general ledger.

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

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8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing was complete. We randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained 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 we observed 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, we obtained Hearts of Hope's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and we obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, we obtained supporting documentation for each transaction and:
  - a) We observed whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
  - b) We observed that the disbursement documentation includes evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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11. We obtained 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. We obtained management's representation that the listing is complete.

12. Using the listing prepared by management, we randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, we randomly selected one monthly bank statement), we obtained supporting documentation, and:
  - a) We observed that 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) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
  - b) We observed 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, we randomly selected 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, we observed that 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, we described the nature of the transaction and noted whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

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

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14. We obtained 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. We randomly selected 5 reimbursements, we obtained 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, we observed the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) We observed that each reimbursement is supported by documentation of the business/public purpose (for meal charges, we observed that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

#### ***Contracts***

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15. We obtained 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.* We obtained management's representation that the listing is complete. We randomly selected 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
  - a) We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) We observed that 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), we observed that 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) We randomly selected one payment from the fiscal period for each of the 5 contracts, we obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

### ***Payroll and Personnel***

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- 16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected 5 employees/officials, we obtained related paid salaries and personnel files, and we agreed paid salaries to authorized salaries/pay rates in the personnel files.
- 17. We randomly selected one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, we obtained attendance records and leave documentation for the pay period, and:
  - a) We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) We observed that supervisors approved the attendance and leave of the selected employees/officials.
  - c) We observed that any leave accrued or taken during the pay period is reflected in the Hearts of Hope's cumulative leave records.
  - d) We observed the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two employees/officials, we obtained related documentation of the hours and pay rates used in management's termination payment calculations and Hearts of Hope's policy on termination payments. We agreed the hours to the employee or officials' cumulate leave records, agreed the pay rates to the employee/officials' authorized pay rates in the employee or officials' personnel files, and agreed the termination payment to entity policy.
- 19. We obtained 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.

### ***Ethics***

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- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained ethics documentation from management, and:
  - a) We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b) We observed 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.

### ***Debt Service***

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21. We obtained 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. We obtained 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).

### ***Fraud Notice***

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23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing was complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that Hearts of Hope reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observed that Hearts of Hope 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.

### ***Information Technology Disaster Recovery/Business Continuity***

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25. We performed the following procedures, **verbally discussed the results with management, and reported "We performed the procedure and discussed the results with management."**
  - a) We obtained and inspected 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 observed that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), we observed evidence that backups are encrypted before being transported.  
*We performed the procedure and discussed the results with management.*
  - b) We obtained and inspected 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 observed evidence that the test/verification was successfully performed within the past 3 months.  
*We performed the procedure and discussed the results with management.*
  - c) We obtained a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. We randomly selected 5 computers and observed 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.  
*We performed the procedure and discussed the results with management.*

## Sexual Harassment

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26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained sexual harassment training documentation from management, and observed the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. We observed 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. We obtained the entity's annual sexual harassment report for the current fiscal period, observed that the report was dated on or before February 1, and observed 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.

## Exceptions:

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No exceptions were found as a result of applying the procedures listed above except the following:

### **Written Policies and Procedures**

1. The Organization's written policies do not address the following: (a) **Budgeting** - monitoring the budget and amending the budget; (b) **Purchasing** - how purchases are initiated, how vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders, controls to ensure compliance with the Public Bid Law, and documentation required to be maintained for all bids and price quotes; (c) **Receipts** - management's actions to determine completeness of all collections for each type of revenue or agency fund addition; (d) **Payroll** - payroll processing and the approval process for employees' rate of pay or approval and maintenance of pay rate schedules; (e) **Contracting** - types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process; (f) **Credit Cards** - how cards are to be controlled, allowable business uses, documentation requirements, required approvers of statements, and monitoring card usage; (g) **Travel and expense reimbursements** - dollar threshold by category of expense and required approvers; (h) **Disaster Recovery/Business Continuity** - identification of critical data and frequency of backups, storage of backups in a separate physical location isolated from the network, periodic testing/verification that backups can be restored, use of antivirus software on all systems, timely application of all available system and software patches/updates, and identification of personnel, processes, and tools needed to recover operations after a critical event.

**Management's response:** Management will review their policies and procedures and update the relevant sections.

### **Bank Reconciliations**

2. All the bank reconciliations that were tested did include evidence of review; however, the member of management reviewing the bank reconciliations does issue checks/process online payments.

**Management's response:** Management will review their processes and include evidence that a member of management/board member who does not handle cash or issue checks has reviewed each bank reconciliation.

### **Collections**

3. The Organization's employees who have access to cash are not covered by a bond or insurance policy for theft.

**Management's response:** Management will review the cost-benefit and take the appropriate actions.

4. All the deposits tested did not use sequentially pre-numbered receipts.

**Management's response:** Management will review the cost-benefit and take the appropriate actions.

### **Disbursements**

5. The Organization's job duties do not prohibit the person responsible for processing payments from adding/modifying vendor files.

**Management's response:** Management will review their procedures and make any necessary changes.

6. All disbursements tested did not have supporting documentation that indicated deliverables included on the invoices were received by the organization or evidence of segregation of duties.

**Management's response:** Management will review their procedures and make any necessary changes.

### **Credit Cards**

7. The combined statement and supporting documentation were not reviewed and approved in writing by someone other than the authorized cardholder.

**Management's response:** Management will have someone other than the authorized card holder review and approve, in writing, monthly credit card statements and supporting documentation.

8. Of the ten transactions tested, one did not have documentation of the individuals participating in meals.

**Management's response:** Management will document the individuals participating in meals on credit card transactions for food expenses.

## Contracts

9. One of contracts selected was in excess of \$10,000 and was not approved by a governing board as stated in the organization's policies.

*Management's response:* Management will ensure all contracts above the threshold stated in their written policies and procedures is approved by their governing board.

## Payroll and Personnel

10. The authorized pay rate included in the personnel file for two of the five employees selected did not agree to the pay rate paid to the employees.

*Management's response:* Management will ensure current employee authorized pay rates are maintained within the personnel files.

We were engaged by Hearts of Hope to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Hearts of Hope and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
September 27, 2022