



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

OPERATION RESTORATION, INC.

**AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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Luther Speight & Company, LLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Operation Restoration, Inc.
New Orleans, LA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Operation Restoration, Inc. (OR) (a non-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 OR as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 OR and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

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.

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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 OR'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:

- 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 OR'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 OR'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 schedule of compensation, benefits, and other payments to the agency head 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 compensation, benefits, and other payments to the agency head 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 17, 2024 on our consideration of OR'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 OR'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 OR's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited OR's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Luther Speight & Company CPAs
New Orleans, Louisiana
June 17, 2024

OPERATION RESTORATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 6,032,551	\$ 6,120,151
Accrued Interest Receivable	57,740	-
Grants Receivable	3,700,931	3,159,156
Bail Project Receivable	76,423	146,173
Prepaid Expense	81,875	-
Right of Use Asset - Operating Lease	167,622	241,979
Fixed Assets, net	627,534	580,561
Total Assets	\$ 10,744,676	\$ 10,248,020
 LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable	\$ 14,131	\$ -
Accrued Payroll	26,227	26,662
Agency Grants Payable	632,885	39,779
Bail Project Payable	674,410	298,440
Mortgage Payable	159,887	178,453
Operating Lease Liability	167,622	241,979
Total Liabilities	1,675,162	785,313
 NET ASSETS		
Without Donor Restrictions	6,152,272	6,903,885
With Donor Restrictions	2,917,242	2,558,822
Total Net Assets	9,069,514	9,462,707
TOTAL LIABILITIES & NET ASSETS	\$ 10,744,676	\$ 10,248,020

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

OPERATION RESTORATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>REVENUE AND OTHER SUPPORT</u>				
Foundation Grants	\$ 642,232	\$ 2,376,076	\$ 3,018,308	\$ 2,635,619
Restricted Grants	-	-	-	2,970,222
In-Kind Donations	116,145	-	116,145	94,320
Donation Income	132,286	-	132,286	150,771
Private Contributions	106,901	-	106,901	69,049
Program Income	104,467	-	104,467	700
Interest Income	133,590	-	133,590	13,489
Other Income	17,390	-	17,390	25,796
Released from Restrictions	2,017,656	(2,017,656)	-	-
Total Revenues and Other Support	<u>3,270,667</u>	<u>358,420</u>	<u>3,629,087</u>	<u>5,959,966</u>
<u>EXPENSES</u>				
Program Services	2,268,315	-	2,268,315	1,834,446
Management and General	1,774,174	-	1,774,174	1,192,947
Total Expenses	<u>4,042,489</u>	<u>-</u>	<u>4,042,489</u>	<u>3,027,393</u>
<u>CHANGE IN NET ASSETS</u>	(771,822)	358,420	(413,402)	2,932,573
Net Assets, Beginning of Year	6,903,885	2,558,822	9,462,707	6,687,986
Net Assets Adjustment	20,209	-	20,209	(157,852)
Net Assets, End of Year	<u>\$ 6,152,272</u>	<u>\$ 2,917,242</u>	<u>\$ 9,069,514</u>	<u>\$ 9,462,707</u>

The accompanying notes are an integral part of these financial statements

OPERATION RESTORATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Expense Description</u>	<u>Program Services</u>	<u>Management and General</u>	<u>2023 Total</u>	<u>2022 Total</u>
Salaries & Wages	\$ 1,329,354	\$ 349,996	\$ 1,679,350	\$ 1,325,970
Contract Services	165,948	203,899	369,847	349,999
Travel	74,814	42,024	116,838	51,351
Fringe Benefits	-	173,608	173,608	183,817
Payroll Taxes	65,209	42,545	107,754	90,416
Office Expense	38,314	75,811	114,125	137,144
In-Kind Services	-	-	-	2,500
Professional Services	7,528	203,168	210,696	177,190
Rent	6,045	229,026	235,071	121,641
Advertising	-	54,150	54,150	60,228
Miscellaneous	1,053	6,432	7,485	10,143
Stipends	49,265	-	49,265	60,113
Program Expense	468,809	4,464	473,273	123,880
Charitable Contributions	5,750	-	5,750	40,040
Subrecipient Expense	47,900	278,311	326,211	200,000
Insurance	-	20,211	20,211	35,397
Facilities and Equipment	1,300	5,017	6,317	10,858
Project Events	7,026	40,025	47,051	3,386
Total Expenses Before Depreciation	<u>2,268,315</u>	<u>1,728,687</u>	<u>3,997,002</u>	<u>2,984,073</u>
Depreciation	-	45,487	45,487	43,320
Total Expenses	<u>\$ 2,268,315</u>	<u>\$ 1,774,174</u>	<u>\$ 4,042,489</u>	<u>\$ 3,027,393</u>

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

OPERATION RESTORATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (413,402)	\$ 2,932,573
Net Assets Adjustment	20,209	(157,852)
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	45,487	43,320
(Increase) Decrease in Operating Assets:		
Accrued Interest Receivable	(57,740)	-
Accounts Receivable	(541,775)	(1,159,403)
Bail Project Receivable	69,750	99,651
Prepaid Expense	(81,875)	-
Lease Asset	74,357	(241,979)
Increase (Decrease) in Operating Liabilities:		
Accrued Payroll	(435)	(26,143)
Accounts Payable	14,131	(4,878)
Agency Grants Payable	593,106	39,779
Lease Liability	(74,357)	241,979
Net Cash Provided/(Used) by Operating Activities	(352,544)	1,767,047
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(92,460)	(272,716)
Net Cash Used by Investing Activities	(92,460)	(272,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings/(Payments) of Mortgage Loan, Net	(18,566)	178,453
Bail Project Loan, Net Borrowings	375,970	170,410
Net Cash Provided by Financing Activities	357,404	348,863
NET CHANGE IN CASH AND EQUIVALENTS	(87,600)	1,843,194
Cash and Cash Equivalents - Beginning of Year	6,120,151	4,276,957
Cash and Cash Equivalents - End of Year	\$ 6,032,551	\$ 6,120,151

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

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – ORGANIZATION AND BACKGROUND

Formed in 2016 and led by Syrita Steib, CEO, Operation Restoration, Inc. (“OR”) is a 501(c)(3) organization whose mission is to support women and girls impacted by incarceration to recognize their full potential, restore their lives, and discover new possibilities. OR started building relationships with local and national organizations, and the founder began participating in speaking engagements across the nation. In 2017 OR wrote and successfully advocated for the passage of LA Act 276 (Ban the Box), prohibiting public colleges in Louisiana from asking about criminal history in admissions. Louisiana was the first state to pass this historic legislation. In 2018 OR absorbed the Louisiana Prison Education Coalition (LPEC), founded by Annie Phoenix, and started education programming in prison and in the community. OR is dedicated to building a community and support system for women impacted by incarceration through education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

OR’s financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the organization classifies resources for accounting and reporting purposes into two net asset categories which are with donor restrictions and without donor restrictions. A description of these two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of OR are included in this category. OR has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Organization and therefore, their policy is to record those net assets as unrestricted.

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Reporting (Continued)

- Net assets with donor restrictions include funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. 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. See Note 7 for additional details of Net Assets With Donor Restrictions.

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised if the condition is not met.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as revenue with or without donor restrictions, depending on the existence and nature of any donor restrictions. 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. Conditional contributions are recognized when the barriers to entitlement are overcome, and the promises become unconditional. Unconditional contributions are recognized as revenue when received. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Promises to Give

All promises to give are recognized as assets less an allowance for uncollectible amounts, and revenues. On December 31, 2023 and 2022, OR did not have outstanding contributions or pledge receivables. Therefore, no allowance for uncollectible accounts was recorded.

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash consists of cash and cash equivalents. OR considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Employees of OR are entitled to paid vacation, paid sick days, and leaves of absence, depending on job classification, length of service, and other factors. When estimating compensated absences, management determined that the amount is considered immaterial to the financial statements. As a result, no liability has been recorded in the accompanying financial statements. OR recognizes the costs of compensated absences when actually paid to employees.

Income Taxes

OR is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation. The Organization's Forms 990, Return of Organization Exempt from Income Tax are subject to examination by the IRS, generally for three years after they are filed. OR did not pay any federal income tax for the years ended December 31, 2023 and 2022.

In-kind Contributions

In-kind contributions are recognized if services or support to enhance nonfinancial assets or conditions would require specialized skills or otherwise be purchased by OR. OR received free use of office space and legal services during 2023 and recorded in-kind revenue of \$116,145. Total expenses of \$116,145 were recorded in Rent expense and Professional Services. See NOTE 9 for additional information on the office lease.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been reported on a functional basis in the Statements of Functional Expenses. Expenses that are identified with a specific program or support service are charged directly according to the natural classification. Other shared costs have been allocated among the various program and supporting services based on usage or other estimates made by management.

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

OR determines if a contract contains a lease when the contract conveys the right to control the use of identified assets for a period in exchange for consideration. Upon identification and commencement of a lease OR establishes a right-of-use (ROU) asset and a lease liability. Operating leases, if any, are included in ROU Asset – Operating Lease and Operating Lease Liability on the accompanying balance sheet. Finance leases, if any, are included in property and equipment and Finance Lease Liability.

The total lease term is determined by considering the initial term per the lease agreement, which is adjusted to include any renewal options that OR is reasonably certain to exercise as well as any period that OR has control over the asset before the stated initial term of the agreement. If OR determines a reasonable certainty of exercising termination or early buyout options, then the lease terms are adjusted to account for these facts. OR's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

OR uses a risk-free rate as the discount rate for all classes of underlying assets when the interest rate is not implicitly or explicitly stated in the lease agreement at commencement date. OR does not recognize ROU assets and lease liabilities for leases with a term of 12 months or less.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recorded at \$6,032,551 and \$6,120,151 at December 31, 2023 and 2022, respectively. Cash and cash equivalents are on deposit with three depository financial institutions, including some interest-bearing accounts. OR's uninsured cash balance totaled \$5,022,706 and \$5,646,187 on December 31, 2023 and 2022, respectively.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable represents private foundation and city grant amounts earned by OR that were not received by December 31, 2023 and 2022. Total grants receivable as of December 31, 2023 and 2022 was \$3,700,931 and \$3,159,156, respectively. Management has determined that all grants receivable balances are collectable due to there being written agreements for each balance. Therefore, management has not recorded an allowance for doubtful accounts.

**OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 – FIXED ASSETS

All acquisitions of fixed assets in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Fixed assets are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Leasehold Improvements	15 years
Computers	5 years
Office Furniture	7 years

Such assets and related accumulated depreciation on December 31, 2023 consists of the following:

	<u>2023</u>	<u>2022</u>
Leasehold Improvements	320,095	\$ 320,095
Computers	78,941	39,081
Office Furniture	64,279	61,819
Building	213,316	213,316
Land	-	39,860
Construction in Progress	90,000	-
Accumulated Depreciation	(139,097)	(93,610)
Fixed Assets, net	<u>\$ 627,534</u>	<u>\$ 580,561</u>

Depreciation expense for the year ended December 31, 2023 and 2022 was \$45,487 and \$43,320, respectively.

NOTE 6 – REVENUE CONCENTRATIONS

Foundation grant revenue makes up 84% of total revenues. Foundation Grant Revenue consists of private foundation grants from multiple grantors. During the year ended December 31, 2022, three grantors represented over 10% of total revenues individually. During the year ended December 31, 2023, OR received grants from these grantors totaling \$1,263,098, which represents approximately 35% of total revenue. At December 31, 2023, OR has an outstanding accounts receivable balance from these grantors totaling \$83,818. During the year ended December 31, 2022, OR had one grantor that represented over 10% of total revenues individually, with grants received from this grantor totaling \$750,000. This represented 13% of total revenues. At December 31, 2022, that grantor had an outstanding accounts receivable balance totaling \$750,000.

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions on December 31, 2023 and 2022 consist of the following:

<u>Program</u>	<u>2023</u>	<u>2022</u>
Agency Grants	\$ -	\$ 182,089
Operation Education	1,155,817	842,167
Operation General Funds	318,095	325,825
Operation Policy	131,250	6,250
Operation Safety & Freedom Fund	180,751	96,538
Operation Social Services	1,131,329	1,105,953
	<u>\$ 2,917,242</u>	<u>\$ 2,558,822</u>

NOTE 8 – LEASES

During the year ended December 31, 2022, OR adopted ASC 842, *Leases*, which requires an organization to record a lease asset and liability based upon its lease agreements. OR currently occupies office space that is paid for by the New Orleans Saints' organization. However, there is an official lease agreement and it meets the requirement of a lease per ASC 842. As a result, OR recorded a lease asset and liability at the origination date of the lease. The ending date of the lease is December 2025. Each year, the asset and liability is reduced based upon the actual payments and a calculated amortization schedule. Since OR does not expend any cash as a result of the agreement, the monthly payment is recorded as an In-Kind Donation. As of December 2023 and 2022, the lease asset and liability totaled \$167,622 and \$241,979, respectively. Total rent expense related to this lease for the years ended December 2023 and 2022 was \$94,320.

Supplemental balance sheet information related to the lease was as follows:

	<u>2023</u>	<u>2022</u>
<i>Operating Lease</i>		
Operating Lease ROU Asset	\$ 450,589	\$ 450,589
Operating Lease ROU Asset Accumulated Amortization	(282,967)	(208,610)
	<u>\$ 167,622</u>	<u>\$ 241,979</u>

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 8 – LEASES (CONTINUED)

	<u>2023</u>	<u>2022</u>
Current Portion of Operating Lease Liability	\$ 80,491	\$ 74,357
Long-Term Portion of Operating Lease Liability	87,131	167,622
Operating Lease Liability	<u>\$ 167,622</u>	<u>\$ 241,979</u>

Other Information

Weighted-Average Remaining Lease Term in Years for Operating Lease	2.00	1.00
Weighted-Average Discount Rate for Operating Lease	8.25%	8.25%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liability recognized on the balance sheet are as follows as of December 31, 2023:

Year Ending December 31,	Lease Payments
2024	\$ 94,320
2025	94,320
2026	-
2027	-
2028	-
Thereafter	-
Total Future Minimum Lease Payments	<u>188,640</u>
Less imputed interest	<u>(21,018)</u>
Total Present Value of Lease Liabilities	<u>\$ 167,622</u>

OR has another lease for additional space in a building in New Orleans. The lease commenced in August 2023 and expires in July 2024. The monthly rent payment totals \$1,800. Upon the conclusion of the lease agreement, the lease will go month to month unless otherwise agreed upon between OR and the lessor. Due to the short-term nature of the lease, it does not qualify under the new lease accounting standard. Rent expense related to this lease totaled \$6,905 for the year ended December 31, 2023.

**OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 – SUPERDOME SUITE LEASE

During the year ended December 31, 2023, OR purchased user access to a Suite in the Caesars Superdome. The Suite is utilized to advance the OR mission through events geared towards raising awareness and support for women and girls affected by incarceration, while also serving as a fundraising tool by marking up and selling tickets for profit.

The agreement made with the New Orleans Saints organization gives OR access to use the suite during the Saints’ NFL football games and certain other dates for concerts and other sporting events. The terms of the agreement state that OR must pay rent in the amount of \$163,290 for the length of the agreement, which runs from May 2023 through March 2024.

Management reviewed the lease agreement to determine if the agreement qualifies as a lease under ASC 842, *Leases* (see NOTE 8), and has determined that the new lease accounting treatment does not apply due to the following reasons:

1. The agreement is considered short-term (less than 12 months) and,
2. To qualify as a lease, the agreement must grant “control” of an identifiable asset for a specific period of time in exchange for payment. To demonstrate control of an asset, an entity must be able to obtain “substantially all” of the economic benefit from the asset’s use and direct its use throughout the period of the contract. Due to the fact that OR can only access the suite during specific dates and times and does not have access or control of the suite during other major events indicates they do not demonstrate control of the suite for purposes of the lease accounting standard.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 5,993,840	\$ 6,120,151
Accrued Interest Receivable	57,740	-
Grants Receivable	3,700,931	3,159,156
Bail Project Receivable	76,423	146,173
Subtotal	<u>\$ 9,828,934</u>	<u>\$ 9,425,480</u>
Net Assets With Donor Restrictions	<u>(2,558,822)</u>	<u>(2,558,822)</u>
Net Assets Available for General Expenditures Within One Year	<u>\$ 7,270,112</u>	<u>\$ 6,866,658</u>

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 11 – RETIREMENT PLAN

OR has a Simple IRA where employees contribute a percentage of their salary. OR matches these contributions up to 3%. During the year ended December 31, 2023 and 2022, OR recorded matching contributions totaling \$47,122 and \$38,688, respectively.

NOTE 12 – SAFETY & FREEDOM FUND

During the year ended December 31, 2020, OR entered an agreement with The Bail Project, Inc. (“TBP”), a New York not-for-profit that was established in 2016 with the charitable purpose of paying bail for people in need. TBP provided a loan of \$300,000 to OR to start posting bonds on behalf of people who are incarcerated solely because they are poor. Any bonds posted on behalf of others must meet certain criteria per the agreement.

Per the terms of the agreement, OR started making payments on the loan 14 days after the execution date of the agreement. OR must remit all returned bail funds to date from bails posted by individuals. Subsequent payments are due every 30 days thereafter and the amount due will be the amount of returned bail funds to OR. As a result, the monthly payment will differ and a 5-year maturity schedule cannot be determined. OR has recorded a receivable balance for all bonds posted on behalf of others. During the year ended December 31, 2022, OR obtained additional loans from TBP.

The receivable balance is reduced when bail funds are returned. As of December 31, 2023 and 2022, the receivable balance was \$76,423 and \$146,173, respectively and is disclosed as the Bail Project Receivable on the Statement of Financial Position. The loan balance at December 31, 2023 and 2022 was \$674,410 and \$298,440, respectively, and is disclosed as the Bail Project Payable on the Statement of Financial Position. Management does not believe an allowance for doubtful accounts is necessary.

NOTE 13 – MORTGAGE PAYABLE

During the year ended December 31, 2022, OR financed the purchase of a building totaling \$180,000 through a financial institution. The mortgage is payable in monthly principal and interest payments of \$1,547 with an interest rate of 8.25%. The final payment in November 2042 will consist of all unpaid principal and interest. As of December 31, 2023 and 2022, the outstanding balance of the mortgage was \$159,887 and \$178,453, respectively.

OPERATION RESTORATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 13 – MORTGAGE PAYABLE (CONTINUED)

Future maturities of the mortgage payable are as follows:

2024	\$	3,952
2025		4,339
2026		4,716
2027		5,126
2028		5,533
Thereafter		136,221
	\$	<u>159,887</u>

NOTE 14 – NET ASSETS ADJUSTMENT

During the year ended December 31, 2023, management identified certain prior audit adjusting entries that were not properly recorded. In order to properly state beginning net assets, management recorded a net assets adjustment totaling \$20,209. During the year ended December 31, 2022, management also identified certain prior audit adjusting entries that were not properly recorded. In order to properly state beginning net assets for fiscal 2022, management recorded a net assets adjustment totaling (\$157,852).

NOTE 15 – SUBSEQUENT EVENTS

Management evaluated subsequent events as of June 17, 2024, which is the date these financial statements were available to be issued. No subsequent events have been evaluated for inclusion in the financial statements past this date. Management has noted that there are no additional disclosures or adjustments required to these financial statements.



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

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

To the Board of Directors of
Operation Restoration, Inc.
New Orleans, LA

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 Operation Restoration, Inc. (OR) (a nonprofit organization) which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OR's internal control over financial reporting (internal control) as a basis for designing 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 OR's internal control. Accordingly, we do not express an opinion on the effectiveness of OR'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. 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 or significant deficiencies may exist that were not identified.

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Memphis Office: 1661 International Drive, Suite 441/Memphis, TN 38120/ (901)202-4688
Atlanta Office: 1201 Peachtree St. NE, Suite 200-363/Atlanta, GA 30328/ (678)971-3700

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OR'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 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.



Luther Speight & Company CPAs
New Orleans, Louisiana
June 17, 2024

**OPERATION RESTORATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Section I — Summary of Auditor's Results

Financial Statements

A unmodified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified
not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Not applicable for the years ended December 31, 2023 and 2022, as OR did not expend \$750,000 or more in federal funds.

**OPERATION RESTORATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

No findings were noted during the year ended December 31, 2023.

**OPERATION RESTORATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

No findings were noted during the year ended December 31, 2022.

**OPERATION RESTORATION, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2023 AND 2022**

Agency Head Name: Syrita Steib, Chief Executive Officer

<u>Purpose</u>	<u>2023</u>	<u>2022</u>
Salary	277,680	185,000
Benefits-Insurance	20,883	7,471
Benefits-Retirement	6,935	4,629
Benefits-Section 125	598	-
Car allowance	-	-
Vehicle provided by government	-	-
Per diem	-	-
Reimbursements	996	9,114
Travel	-	-
Registration fees	-	-
Conference travel	-	-
Continuing professional education fees	-	-
Housing	-	-
Unvouchered expenses	-	-
Special meals	-	-



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

OPERATION RESTORATION, INC.

AGREED-UPON PROCEDURES REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

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

To the Board of Directors of
Operation Restoration, Inc.
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, 2023 through December 31, 2023. Operation Restoration Inc. (OR) management is responsible for those C/C areas identified in the SAUPs.

OR 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, 2023 through December 31, 2023. 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. 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

Results: *We noted no information pertaining to preparing, adopting, monitoring, or amending the budget in the Financial Manual Draft provided by the Entity. LSC did not receive an updated Financial Manual Draft.*

Management's Response: *OR and Carter & Company International are collaborating on revising the organization's finance manual.*

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- 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.

Results: The written policies and procedures appropriately address the required elements above except for how vendors are added to the vendor list, controls to ensure compliance with the public bid law, and documentation required to be maintained for all bids and price quotes.

Management's Response: Vendors are entered into QuickBooks only after a contract is signed or an invoice is presented to the organization. These documents are reviewed by both the finance team and the President & CEO before entry into the system. Controls with the public bid law and required documentation will be added into the OR's finance manual.

- c) **Disbursements**, including processing, reviewing, and approving.

Results: The written policies and procedures appropriately address the required elements above.

- 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).

Results: The written policies and procedures appropriately address the required elements above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: The Employee Handbook appropriately addresses the required elements above.

- 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

Results: No information regarding types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process noted in Financial Manual Draft provided by the Entity.

Management's Response: OR ensures that all contractors who undertake duties for an extended period receive a written contract. This contract is drafted by the Financial

Support Administrator and then sent to both the contractor and the President & CEO for signatures. Once signed by both parties, the contract is entered into the ADP platform.

- 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)

Results: *The written policies and procedures appropriately address the required elements above.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: *The written policies and procedures appropriately address the required elements above.*

- 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.

Results: *Not applicable, as the Entity is a nonprofit.*

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: *Not applicable, as the Entity is a nonprofit.*

- k) **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.

Results: *The Entity provided a Statement of Work from their IT provider which appropriately addresses the elements above related to disaster recovery and business continuity.*

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.
Results: *Not applicable, as the Entity is a nonprofit.*

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.

Results: *We noted that OR conducts meetings quarterly. No exceptions noted.*

- 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. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: *We noted that the Entity reports on the governmental accounting model. The Entity's minutes reference budget-to-actual comparisons. No exceptions noted.*

- 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.

Results: *Not applicable, as no unassigned fund balance in the general fund was observed in the prior year audit report.*

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: *Not applicable, as there were no findings observed in the prior year audit report.*

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:

Results: *We obtained a listing of the Entity's bank accounts from management, as well as management's representation that the listing was complete. We selected the month of December 2023 for testing and observed the following.*

- 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).

Results: *We noted that all bank account reconciliations were prepared and electronically signed within 2 months of the closing date.*

- 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

Results: *We noted that the bank reconciliations showed evidence of review by an employee who does not handle cash, post ledgers, or issue checks.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement's closing date, if applicable.

Results: *We noted that none of the Entity's December 2023 statements had reconciling items that have been outstanding for more than 12 months from the fiscal year-end.*

- d) Review completed within 1 month of the date the reconciliation was prepared.

Results: *We noted that all bank reconciliations were reviewed within 2 months of the statement's closing date, but could not locate evidence of reconciliations being reviewed within 1 month.*

Management's Response: *All bank accounts undergo reconciliation by the 15th of the subsequent month. If any discrepancies are found during this process, the reconciliation is reversed and then reattempted to ensure there are no inconsistencies.*

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).

Results: We noted that funds received in person or via postal service are received at the administration office located at 1450 Poydras St. Suite #2260, New Orleans, LA 70112. All incoming monies (cash, checks, money orders and/or credit card payments) are accounted for and verified upon receipt by at least 2 staff members, including the Executive Director.

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:

Results: We noted that funds received in person or via postal service are received at the administration office located at 1450 Poydras St. Suite #2260, New Orleans, LA 70112. All incoming monies (cash, checks, money orders and/or credit card payments) are accounted for and verified upon receipt by at least 2 staff members, including the Executive Director.

- a) Employees responsible for cash collections do not share cash drawers/registers.

Results: Per management, OR does not have 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.

Results: We noted that the policy and procedures manual states that the Bookkeeper enters the day's cash receipts into the computerized account program, and the cash receipts must be ready for deposit no later than Wednesday of each week. The Executive Director prepares the deposit slip for all cash receipts and routes it to the Bookkeeper.

- 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.

Results: We noted that the policy and procedures manual states that the Bookkeeper enters the day's cash receipts into the computerized account program, and the cash receipts must be ready for deposit no later than Wednesday of each week. The Executive Director prepares the deposit slip for all cash receipts and routes it to the Bookkeeper.

- 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.

Results: We noted that the policy and procedures manual details proper segregation of duties, and the Bookkeeper does not collect cash.

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.

Results: LSC obtained a copy of an insurance policy through Chubb Group of Insurance Companies for Liability and Crime coverages. This policy remained in effect during the 2023 fiscal year, and no claims were submitted during the year.

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.

Results: We randomly selected two deposit dates for the bank accounts selected for procedure #3 under "Bank Reconciliations" above, obtained supporting documentation, and tested the attributes previously stated. There were no exceptions noted.

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).

Results: Any payments are processed in person or via postal service are received at the admin office located at 1450 Poydras St. Suite #2260, New Orleans, LA 70112.

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.

Results: We have obtained a listing of the employees involved and the written policies and procedures relating to employee job duties at the location mentioned above and observed that the job duties are properly segregated. The Bookkeeper receives all invoices and directs any questions to the appropriate staff person before forwarding the invoice for approval to the Executive Director.

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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: We tested the non-payroll disbursements and found no exceptions with the transactions we were able to test.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3(a), randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's

policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: *Our examination of disbursements showed no exceptions.*

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

12. 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.

Results: *We obtained a listing of all active credit cards and management's representation that the listing was complete.*

13. 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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Results: *We did not observe any evidence that the monthly CC statements were reviewed and approved in writing.*

Management's Response: *With the appointment of a CFO, OR has implemented a system of checks and balances to oversee all credit card statements. After the Financial Support Administrator reviews and reconciles the statements, they are then forwarded to the CFO for final approval.*

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: *LSC obtained statements from each account and observed that there were no late fees or finance charges assessed. No exceptions noted.*

14. 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.

Results: *LSC noted that the transactions we received documentation for all had proper receipt support for expenses. However, we were unable to determine if some of the expenses were for business purposes.*

Management’s Response: *Since 2023, OR has mandated the use of the purchase request form for all procurement activities. The form has been revised to include fields for specifying the reason for purchase and adding comments. This enhancement ensures that the reviewing supervisor is informed about the business justification behind each purchase. As for the meal charge, it was a staff outing to introduce new staff members and to also show appreciation to staff for all their hard work and dedication.*

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

15. 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 (www.gsa.gov).

Results: *LSC noted that reimbursements were completed per actual costs.*

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Results: *LSC noted that items reimbursed were supported by itemized receipts which detailed items purchased and the amount paid for those items.*

- 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).

Results: LSC noted that each reimbursement was supported with documentation of the business purpose.

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: LSC noted that each reimbursement was approved in writing by someone other than the person receiving the reimbursement.

Contracts

- 16. 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.

Results: LSC obtained a list of contracts for the fiscal year ended December 31, 2023. We noted that all contracts selected were not subject to Louisiana Bid 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).

Results: We noted that contracts have support documentation with proper authorization from the Executive Director. No exceptions noted.

- 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).

Results: LSC noted no amendments in contracts for FYE 2023.

- 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.

Results: We obtained supporting invoices for each of the selected contracts and agreed payment to the contract terms without exception.

Payroll and Personnel

17. 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.

Results: LSC obtained a listing of employees during the fiscal period and management's representation that the listing is complete. We verified that their salary/pay rates agreed with the employee's personnel files.

18. 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.

Results: LSC observed that daily attendance records were recorded and approved by management, and we agreed the rates paid to the salary listed in their personnel files. Leave taken or accrued during the pay period is reflected in the Entity's cumulative leave records. No exceptions noted.

19. 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.

Results: *We obtained a list of terminated employees from management and management's representation that the listing is complete. We randomly selected two employees and obtained payroll detail reports for both selections. We noted both former employees accrued vacation time and were compensated for it. We were able to agree the pay rates to the employees' authorized pay rates in the employees' personnel files and agree the termination payments to the Entity's policy. In addition, we reviewed and were able to agree the hours to the employees' cumulative leave records for FYE 2023.*

20. 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.

Results: *We obtained management's representation that employer and employee portions of third-party payroll related amounts have been paid, and any associated forms have been filed by the required deadlines. No exceptions were noted.*

Ethics

Results: *Not applicable as the Entity is a non-profit.*

Debt Service

Results: *Not applicable as the Entity is a non-profit.*

Fraud Notice

21. 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.

Results: *There were no misappropriations of funds or assets during the fiscal period.*

22. Observe that 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.

Results: We observed the required notice is not posted on the Entity's website.

Management Response: OR will post on the website and OR premises.

Information Technology Disaster Recovery/Business Continuity

23. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

Results: We performed the following procedures and discussed the results with management.

- 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.

Results: We obtained a report showing the Entity's critical data was backed up within the required timeframe. No exceptions noted.

- 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.

Results: The Entity contracts Courant for professional technological services. All restorations are performed by Courant if a device fails.

- 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.

Results: The Entity provided a current computer inventory with their current locations. The Entity uses SentinelOne to protect workspaces from standard malware and viruses. Additionally, the Entity uses QuickBooks, a cloud base accounting software for everyday financial reporting.

24. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We spoke with the Entity, and they stated that once an employee is terminated, all equipment is given back to OR and their email is reset; all access is disabled. No exceptions noted.

25. Observe evidence that employees with access to the agency's information technology assets have received cybersecurity training as required by R.S. 42:1267.

Results: We obtained evidence that each employee received cybersecurity training. No exceptions noted.

Sexual Harassment

Results: Not applicable as the Entity is a non-profit.

We were engaged by Operation Restoration, Inc. 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 Operation Restoration, Inc. 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.



Luther Speight & Company CPAs
New Orleans, Louisiana
June 17, 2024