

**Hope Connections, Inc.
Shreveport, Louisiana**

Financial Statements

As of and for the Year Ended December 31, 2019

Hope Connections, Inc.

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Independent Auditors' Report

To the Board of Directors
Hope Connections, Inc.
Shreveport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hope Connections, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Connections, Inc., as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information schedule shown on page 12 is presented for the purpose 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 information 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 28, 2020, on our consideration of Hope Connections, Inc.'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 Hope Connections, Inc.'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 Hope Connections, Inc.'s internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
September 28, 2020

Hope Connections, Inc.
Statement of Financial Position
December 31, 2019

Assets	
Current assets:	
Cash	\$ 48,478
Grants receivable	63,557
Accounts receivable	10,954
Prepaid expenses	2,324
Total current assets	<u>125,313</u>
Property and equipment:	
Property and equipment	1,284,405
Accumulated depreciation	<u>(269,435)</u>
Net property and equipment	<u>1,014,970</u>
Total Assets	<u><u>\$ 1,140,283</u></u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	4,736
Accrued expenses	<u>40,376</u>
Total current liabilities	<u>45,112</u>
Net assets:	
Without donor restrictions	<u>1,095,171</u>
Total net assets	<u>1,095,171</u>
Total Liabilities and Net Assets	<u><u>\$ 1,140,283</u></u>

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

Hope Connections, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions
Revenues and Other Support:	
Government grants	\$ 673,456
Miscellaneous grants	79,250
Special events revenue	27,694
Contributions and donations	93,000
Fee for services	101,713
Miscellaneous revenues	40,822
Total revenues and other support	1,015,935
Expenses:	
Program services	767,067
Fundraising	11,303
General administration	192,898
Total expenses	971,268
Changes in net assets	44,667
Net assets, beginning of year	1,050,504
Net assets, end of year	\$ 1,095,171

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

Hope Connections, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services								Supporting Services				
	Harbor 1	HMIS HUD	PATH	HUD Planning	Caddo Parish	HUD CAP	CDBG	ESG	Other Program Services	Total Program	Fundraising	General and Administrative	Total
Salaries	\$ 136,940	\$ 31,527	\$ 77,572	\$ 98,454	\$	\$ 107,974	\$ 15,359	\$ 47,833	\$ 63,147	\$ 578,806	\$	\$ 57,191	\$ 635,997
Fringe Benefits	14,729	2,992	6,165	5,782		8,501	1,319	3,703	4,733	47,924		34,039	81,963
Travel and meetings	929	50	2,760							3,739		10,563	14,302
Occupancy	7,495		2,277		845			28,425	4,349	43,391	166	20,075	63,632
Telephone	1,568		2,284							3,852		17,675	21,527
Vehicle operation			2,236					939		3,175		4,308	7,483
Supplies	595	233	2,838	392	2,765	2,068				8,891	271	6,835	15,997
Professional services	18		299		313				6,314	6,944	80	22,934	29,958
Miscellaneous			1,500							1,500		6,786	8,286
Client services		19,069			2,855			5,000		26,924	25	7,815	34,764
Fundraising									1,000	1,000	10,761		11,761
Depreciation expense	11,201	2,579	6,345	8,053		8,831		3,912		40,921		4,677	45,598
Total Expenses	\$ 173,475	\$ 56,450	\$ 104,276	\$ 112,681	\$ 6,778	\$ 127,374	\$ 16,678	\$ 89,812	\$ 79,543	\$ 767,067	\$ 11,303	\$ 192,898	\$ 971,268

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

Hope Connections, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019

Operating Activities	
Change in net assets	\$ 44,667
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	45,598
(Increase) decrease in operating assets:	(21,142)
Grants receivable	(4,170)
Accounts receivable	
Prepaid insurance	(2,324)
Increase (decrease) in operating liabilities:	
Accounts payable	(70,475)
Accrued expenses	40,376
Net cash provided by operating activities	<u>32,530</u>
 Investing Activities	
Payments for property and equipment	<u>(7,071)</u>
Net cash (used in) investing activities	<u>(7,071)</u>
 Net increase in cash	 25,459
Cash as of beginning of year	<u>23,019</u>
Cash as of end of year	<u><u>\$ 48,478</u></u>

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

Hope Connections, Inc.
Notes to Financial Statements
December 31, 2019

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Hope Connections, Inc., (HOPE) is a nonprofit corporation under the laws of the State of Louisiana. HOPE is governed by a board of directors composed of 8 members. HOPE was established to help meet the housing and service needs of the homeless in Northwest Louisiana and help transition them to self-sufficiency.

B. Basis of Accounting

The financial statements of HOPE have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. Under those standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization. These net assets may be used at the discretion of HOPE's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HOPE or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. HOPE has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

D. Income Tax Status

HOPE is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code, and therefore, is not subject to income taxes. However, income from certain activities not directly related to HOPE's tax-exempt purpose is subject to taxation as unrelated business income. HOPE had no such income for this audit period. The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ended December 31, 2016, 2017, 2018, and 2019 are subject to examination by the IRS, generally three years after they were filed.

E. Use of Estimates

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

(Continued)

Hope Connections, Inc.
Notes to Financial Statements
December 31, 2019
(Continued)

F. Cash and Cash Equivalents

HOPE's cash, as stated for cash flow purposes, consists of interest bearing and non-interest bearing bank accounts. HOPE has no other assets that are considered cash equivalents.

G. Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried 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 life of each asset. The State of Louisiana and the federal government have a reversionary interest in property purchased with state and federal funds. Its disposition as well as the ownership of any proceeds there from is subject to state and federal regulations.

H. Contributions

Contributions received are recorded as increase in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

I. Compensated Absences

Full-time employees receive a set amount of paid time off (PTO) determined by longevity. Unused PTO does not carry over to the next year and is not paid at separation. Thus, for the year ended December 31, 2019, there were no employee leave benefits requiring recognition.

J. Functional Allocation of Expense

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are directly charged to the function they benefit. Facility related and supportive services expenses are allocated to each function based upon managements equitable determination.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject HOPE to concentrations of credit risk consist principally of temporary cash investments, accounts receivable, and grants receivable. Concentrations of credit risk with respect to accounts receivable are limited due to these amounts being due from coalition member agencies – fee for services arrangements. Concentrations of credit risk with respect to grants receivable are limited due to these amounts being due from governmental agencies under contractual terms. HOPE maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At December 31, 2019, total cash balances held at financial institutions was \$47,159. All of the balances held at financial institutions were secured by FDIC.

(Continued)

Hope Connections, Inc.
Notes to Financial Statements
December 31, 2019
(Continued)

(3) Grants Receivable

Various funding sources provide reimbursement of allowable costs and payment on units of service in connection with providing services under contracts or agreements. This balance represents amounts due from funding sources at December 31, 2019, but received after that date. Management has determined that the allowance for bad debts is not material.

(4) Liquidity and Availability of Financial Assets

HOPE monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. HOPE has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

Financial assets at year-end:	
Cash and cash equivalents	\$ 48,478
Grant and accounts receivables	<u>74,511</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 122,989</u>

In addition to financial assets available to meet general expenditures over the coming year, HOPE operates with a balanced budget and anticipates covering its general expenditures using the income generated from contractual agreements with governmental agencies and contributions. The Statement of Cash Flows identifies the sources and uses of HOPE's cash and shows positive cash generated by operations of \$32,530 for fiscal year ending December 31, 2019.

(5) Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

	Estimated Depreciable Life	2019
Land	n/a	\$ 35,842
Buildings and improvements	20–30 years	1,130,529
Vehicles	5 years	51,211
Furniture and fixtures	5–7 years	38,004
Equipment	5–7 years	28,819
Accumulated depreciation		<u>(269,435)</u>
Net investment in property and equipment		<u>\$ 1,014,970</u>

Depreciation expense for the year ended December 31, 2019 was \$45,598.

(Continued)

Hope Connections, Inc.
Notes to Financial Statements
December 31, 2019
(Continued)

(6) Net Assets

Net assets at December 31, 2019, consisted of the following:

Net Assets Without Donor Restrictions:	
Undesignated	\$ 80,201
Net investment in property and equipment	<u>1,014,970</u>
Total net assets without donor restrictions	<u>1,095,171</u>
Total Net Assets	<u>\$ 1,095,171</u>

(7) Contractual Revenue – Grants

During the year ended December 31, 2019, HOPE received contractual revenue from federal and state grants in the amount of \$673,456. The continued existence of these funds is based on annual contract renewals with various funding sources.

(8) Leases

The agency leases certain equipment under an operating lease. The rental costs on the lease for the year ended December 31, 2019 was \$1,982. Commitments under lease agreements having initial or remaining non-cancellable terms in excess of one year are as follows:

<u>For the Year Ending June 31,</u>	
2020	\$ <u>1,667</u>
Total minimum future rentals	<u>\$ 1,667</u>

(9) Accrued Expenses

Accrued expenses at December 31, 2019 consisted of the following:

	<u>2019</u>
Accrued salaries	\$ 4,762
Accrued payroll taxes	31,558
Other payroll related benefits	<u>4,056</u>
	<u>\$ 40,376</u>

Included in accrued payroll taxes at December 31, 2019, were penalties and interest on late payroll tax payments for the year ending December 31, 2018 and prior, in the amount of \$28,480. Payments totaling \$2,314 were remitted during the year ended December 31, 2019.

(10) Subsequent Events

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

(Continued)

Hope Connections, Inc.
Notes to Financial Statements
December 31, 2019
(Continued)

HOPE received a loan of \$135,500, from the Payroll Protection Program through the Small Business Administration (SBA) in April of 2020. The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive the loan if all employee retention criteria are met and the funds are used for eligible expenses.

On July 28, 2020, HOPE was awarded \$1,250,000, from Louisiana Housing Corporation. This award is to be used for certain shelter operations and case management services for people experiencing homelessness. As of September 28, 2020, HOPE is in the planning stages of this grant award; as such, no funds have yet been received and none expended in relation to this contract.

Subsequent events have been evaluated through September 28, 2020, the date the financial statements were available to be issued.

Hope Connections, Inc.
Shreveport, Louisiana
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended December 31, 2019

Agency Head: Christa Pazzaglia, Chief Executive Officer

The following payments were made from public funds:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 45,233

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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*

Independent Auditors' Report

To the Board of Directors
Hope Connections, Inc.
Shreveport, 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 Hope Connections, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hope Connections, Inc.'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 Hope Connections, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hope Connections, Inc.'s internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying summary schedule of audit findings as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hope Connections, Inc.'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*.

Hope Connections, Inc.'s Response to Finding

Hope Connections, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of summary schedule of audit findings. Hope Connections, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Cook & Morehart
Certified Public Accountants
September 28, 2020

Hope Connections, Inc.
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
December 31, 2019

Summary Schedule of Prior Audit Findings

There were three findings for the prior year audit period ended December 31, 2018.

2018-001 – Late filing of Report

Finding: The Organization failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended December 31, 2018 was not submitted to the Legislative Auditor's Office until after June 30, 2019. The statutory due date.

Recommendation: In the future, management should ensure the financial statements are timely filed.

Current Status: No finding in the current year audit.

2018-002 – Overdue Payroll Taxes

Finding: The Organization has not remitted federal and state payroll taxes according to the deposit schedules required by the taxing authorities

Recommendation: Management should implement internal controls to ensure payroll taxes are remitted according to the required deposit schedule.

Current Status: See current year finding.

2018-003 – Payments of Back Wages

Finding: The Organization paid back wages to three employees outside of the payroll accounting system

Recommendation: Management should implement internal control process to ensure all payroll payments are properly added to wages and the appropriate taxes calculated and remitted.

Current Status: No finding in the current year audit.

Corrective Action Plan for Current Year Audit Findings

There are two significant deficiencies for the current year audit period ended December 31, 2019, as described below:

2019-001 – Significant Deficiency

Condition: For the time periods in 2018 and prior, Hope Connections, Inc. did not timely remit payroll taxes according to deposit schedules required by the taxing authorities. Penalties and interest due as of December 31, 2019, totaled \$28,480. During the year ended 2019, payments totaling \$2,314 were made in relation to the balance owed from prior years.

Criteria: All payroll taxes should be remitted by the required due dates as established by the taxing authorities.

Cause: Although communications with taxing authorities were initiated, a formal payment plan has not yet been established. Therefore, systematic payments were not made during 2019 in relation to the balance due for tax periods in 2018 and prior.

(Continued)

Hope Connections, Inc.
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
December 31, 2019
(Continued)

Effect: Amounts due should be remitted in accordance with an established time table / payment plan to avoid further action being taken by the taxing authorities.

Recommendation: We recommend that the agency communicate with the taxing authorities regarding the amounts due to establish payment arrangements in accordance with a structured timetable.

Views of Responsible Officials and Corrective Action Plan: We attempted to contact the taxing authorities to establish a payment plan but were unable to receive a response. During 2020, we began making monthly payments in the amount of \$2,000. The remainder of this balance will be paid in full by October 15th, 2020. All required tax payments for 2019 were made timely. We hired a new contract accountant in October 2019 and also contracted with ADP Payroll Processing to perform payroll functions, including payment of payroll taxes.

2019-002 – Significant Deficiency

Condition: During our audit, we noted that one individual is responsible for requesting funds, receiving funds, preparing deposits, and posting deposits to the general ledger. In addition, there is no documented supervisory review on some of the requests for funds submitted to funding sources.

Criteria: Controls should be in place over the receipts process to include proper segregation of duties and supervisory review of requests for funds and receipts.

Cause: Due to the agency's small size and limited staffing, additional segregation of duties over the receipt function is limited.

Effect: Errors could occur in requesting funds or depositing funds which may not be detected in a timely manner.

Recommendation: We recommend that additional controls be established over the receipts function to include the following: Requests for funds should be reviewed and approved in writing by someone other than the preparer. A log should be prepared of all incoming receipts by the individual opening the mail, prior to the receipts being forwarded to the individual who prepares the deposits and posts to the general ledger. Such log should be subsequently compared to the validated deposits and general ledger postings. The agency should continue to have bank reconciliations prepared by the contract accountant.

Views of Responsible Officials and Corrective Action Plan: The agency hired a new contract accountant in October 2019. We will implement controls to ensure that requests for funds are reviewed and approved in writing by someone other than the preparer. We will also establish a receipts log which will be completed by the individual opening the mail. The log will be subsequently compared to validated deposits and general ledger postings by the preparer of the log. The contract accountant will continue to complete bank reconciliations each month.

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Hope Council
Hope Connections, Inc.
Shreveport, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Hope Connections, Inc. (Hope), and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures Year 3 (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. Hope Connections, Inc.'s (Hope) management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions.
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- 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, and (5) monitoring card usage
- 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 Statutes 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) Continuing disclosures/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 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.

Hope provided written policies and procedures addressing all of the above.

Board (or Finance Committee, if applicable)

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

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:

Management provided the requested information, along with management's representation that the listing is complete.

- 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);

Exception: There was no indication on the bank reconciliations of date prepared.

Management's Response: Management will add documentation to the bank reconciliations indicating bank reconciliations were prepared within 2 months of the related statement 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

Bank reconciliations selected for testing included evidence that a member of management who does not handle cash, post to ledgers, or issue checks has reviewed the bank reconciliation.

- 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.

There were no reconciling items that had been outstanding for more than 12 months from the statement closing date.

Collections (excluding EFTs)

- 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).

Management provided the requested information, along with management's representation that the listing is complete.

- 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:

Management provided the requested information, along with management's representation that the listing is complete.

- a. Employees that are responsible for cash collections do not share cash drawers/registers.
Hope does not use cash drawers.

- 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.

Exception: The employee responsible for collections is also responsible for preparing deposits and taking deposits to the bank.

Management's Response: Due to the size of Hope and available resources it may not be cost effective to segregate all duties. The executive director reviews bank statements monthly.

- 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.

Exception: One of the employees responsible for collecting cash is also responsible for posting collection entries to the general ledger.

Management's Response: Due to the size of Hope and available resources it may not be cost effective to segregate all duties. The executive director reviews bank statements monthly.

- 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.

Exception: One of the employees responsible for collecting cash is also responsible for posting collection entries to the general ledger.

Management's Response: Due to the size of Hope and available resources it may not be cost effective to segregate all duties. The executive director reviews bank statements monthly.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Exception: Hope's employees who have access to cash are not covered by a bond or insurance policy for theft.

Management's Response: Hope will consider adding an insurance policy for theft.

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 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).
- e. Trace the actual deposit per the bank statement to the general ledger.

The deposits selected for testing, receipts were traced to the deposit slip, the deposit slip total was located on the bank statement, the deposit was made within one week, and the actual deposit was traced to the general ledger. Hope does not utilize pre-numbered receipts.

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).

Management provided the requested information, along with management's representation that the listing is complete.

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.

Segregation of duties exists as noted above, except for as noted below:

Exception: The employee responsible for processing payments receives the signed checks for mailing and also can modify vendor files.

Management's Response: Due to the size of the Hope and available resources it may not be cost effective to segregate all duties.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

For the transactions selected for testing, the disbursement matched the related original invoice and included evidence of segregation of duties except as follows:

Exception: The employee responsible for processing payments receives the signed checks for mailing and also can modify vendor files.

Management's Response: Due to the size of the Hope and available resources it may not be cost effective to segregate all duties.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management provided the requested information, along with management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe 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. [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.]]

Exception: Of the statements selected for testing, one statement was approved by the authorized card holder.

Management's Response: All statements are approved by the Executive Director. Hope will consider having another individual approve the statement for which the Executive Director is the authorized card holder.

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

No finance charges or late fees were noted on the statements tested.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe 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, 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.

Transactions selected for testing were supported by an original itemized receipt that identified precisely what was purchased, contained written documentation of the business purpose, and documentation of the individuals participating in meals, as applicable, except as noted below:

Exception: Of the statements selected for testing, there was no business purpose documented and no receipt could be located for two charges totaling \$337.00.

Management's Response: It is the Hope's policy to attached all supporting documentation and to document the business purpose for each charge. All statements are approved by the Executive Director.

Travel and Expense Reimbursement

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

Contracts

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Management provided the requested information, along with management's representation that the listing is complete.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe 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.)

Employees selected for testing documented their daily attendance and leave.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

For the transactions selected for testing, supervisory review of attendance and leave was noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

For the transactions selected for testing, leave was reflected in the entity's cumulative leave records.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No termination payments were made during the examination period.

- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Hope provided representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and the associated forms have been filed, by required deadlines.

Ethics (excluding nonprofits)

Not applicable to nonprofit organizations.

Debt Service (excluding nonprofits)

Not applicable to nonprofit organizations

Other

- 23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

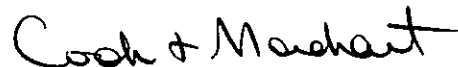
Management represented that there were no misappropriations of public funds and assets during the fiscal period.

- 24. 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.

Hope posted on its premises and website the required notice.

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

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



Cook & Morehart
Certified Public Accountants
September 28, 2020