

GRACE OUTREACH CENTER
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

Sean M. Bruno
Certified Public Accountants, LLC

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Certified Public Accountants, LLC

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Grace Outreach Center
New Orleans, Louisiana

Report on the Audit of Financial Statements

Opinion

I have audited the accompanying financial statements of the **Grace Outreach Center, (the Center)** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 my opinion, the financial statements present fairly, in all material respects, the financial position of **the Center** 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Accounting Standards*, issued by the Comptroller General of the United States. Our responsibilities under those accounting standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of **the Center** and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **the Center'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

My 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 auditors' report that includes my opinions. 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted standards and *Government Auditing Standards*, I:

- 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 **the Center'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.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements, continued

- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Center's** ability to continue as a going concern for a reasonable period of time.

I am 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

My 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 Agency Head on page 18 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 my 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*, I have also issued my report dated June 22, 2024, on my consideration of **the Center's** internal control over financial reporting and on my 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 my 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 **the Center'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 **the Center's** internal control over financial reporting and compliance.



SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS, LLC
New Orleans, Louisiana
June 22, 2024

GRACE OUTREACH CENTER
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023

ASSETS

| | |
|--|---------------------|
| Cash and cash equivalents (NOTES 2 and 7) | \$ 88,867 |
| Receivables (NOTE 4) | 323,641 |
| Deposits | 4,415 |
| Fixed assets, net of accumulated depreciation of \$200,523 (NOTES 2 and 3) | 93,581 |
| Operating right of use asset, net of accumulated amortization of \$417,032) (NOTE 11) | 3,462,330 |
| Finance right of use asset, net of accumulated amortization of \$31,984 (NOTE 11) | <u>136,081</u> |
| Total assets | <u>\$ 4,108,915</u> |

LIABILITIES AND NET ASSETS

| | |
|--|---------------------|
| Liabilities: | |
| Accounts payable | \$ 171,174 |
| Accrued interest | 12,290 |
| Rent liability | 342,814 |
| Other liabilities | 16,360 |
| Note payable – short-term (NOTE 5) | 234,268 |
| Note payable – long-term (NOTE 5) | 70,929 |
| Short-term operating lease liabilities (NOTE 11) | 329,140 |
| Short-term finance lease liabilities (NOTE 11) | 51,598 |
| Long-term operating lease liabilities (NOTE 11) | 3,195,443 |
| Long-term finance lease liabilities (NOTE 11) | <u>84,808</u> |
| Total liabilities | <u>4,508,824</u> |
| Net Assets (NOTE 2): | |
| Without donor restrictions | (399,909) |
| With donor restriction | <u>-</u> |
| Total net assets | <u>(399,909)</u> |
| Total liabilities and net assets | <u>\$ 4,108,915</u> |

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

GRACE OUTREACH CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------------|
| Revenue and Support: | | | |
| Program service revenue | \$ 3,852,085 | \$ - | \$ 3,852,085 |
| Other income | <u>55,170</u> | <u>-</u> | <u>55,170</u> |
| Total revenue and support | <u>3,907,255</u> | <u>-</u> | <u>3,907,255</u> |
| Expenses: (NOTE 2) | | | |
| Program services | 4,291,350 | - | 4,291,350 |
| Support services | <u>326,522</u> | <u>-</u> | <u>326,522</u> |
| Total expenses | <u>4,617,872</u> | <u>-</u> | <u>4,617,872</u> |
| Changes in net assets | (710,617) | - | (710,617) |
| Net Assets: | | | |
| Beginning of year | 424,777 | - | 424,777 |
| Prior Period Adjustment (NOTE 13) | <u>(114,069)</u> | <u>-</u> | <u>(114,069)</u> |
| Beginning of year Net Assets Restated | <u>310,708</u> | <u>-</u> | <u>310,708</u> |
| End of year | <u>\$ (399,909)</u> | <u>\$ -</u> | <u>\$ (399,909)</u> |

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

GRACE OUTREACH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Program Services | Support Services | Total |
|-----------------------------------|-----------------------------|-----------------------------|---------------------|
| Leased employees | \$ 1,321,047 | \$ 263,066 | \$ 1,584,113 |
| Contract services | 1,043,333 | - | 1,043,333 |
| Utilities | 175,845 | - | 175,845 |
| Supplies | 108,937 | - | 108,937 |
| Rent | 286,679 | - | 286,679 |
| Subcontractor | 16,939 | - | 16,939 |
| Repairs and maintenance | 168,537 | - | 168,537 |
| Insurance | 119,330 | - | 119,330 |
| Meals and entertainment | 168,172 | - | 168,172 |
| Depreciation expense | 34,714 | - | 34,714 |
| Client related expenses | 62,997 | - | 62,997 |
| Accounting fees | 9,971 | 9,971 | 19,942 |
| Amortization expense | 427,222 | - | 427,222 |
| Telephone and internet services | 16,987 | 2,601 | 19,588 |
| Storage | 12,214 | - | 12,214 |
| Automobile repair and maintenance | 13,920 | - | 13,920 |
| Other | 20,264 | - | 20,264 |
| Property taxes | 82,644 | - | 82,644 |
| Janitorial fees | 15,600 | - | 15,600 |
| Computer and internet | - | 39,150 | 39,150 |
| Automobile fuel | 6,592 | - | 6,592 |
| Professional fees | 1,295 | - | 1,295 |
| Printing & Copying | - | 1,442 | 1,442 |
| Bank fees and interest | 168,939 | 1,457 | 170,396 |
| Administrative support | - | 2,980 | 2,980 |
| Uniforms | - | 961 | 961 |
| Employee benefits | 8,799 | - | 8,799 |
| License, permits and fees | - | 3,814 | 3,814 |
| Travel | 373 | - | 373 |
| Postage | - | 1,080 | 1,080 |
| | <u>\$ 4,291,350</u> | <u>\$ 326,522</u> | <u>\$ 4,617,872</u> |

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

GRACE OUTREACH CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|----------------|
| Change in net assets | \$ (710,617) |
| Adjustments to reconcile changes in net assets provided by (used in) operating activities: | |
| Depreciation | 34,714 |
| Amortization | 406,891 |
| Changes in assets and liabilities: | |
| Increase in receivables | (13,010) |
| Increase in account payable | 90,432 |
| Decrease in accrued interest | (634) |
| Increase in rent liability | 228,744 |
| Increase in other liabilities | 16,360 |
| Increase in short-term loans | 229,468 |
| Net provided by (used in) operating activities | <u>282,348</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|------------------|
| Purchase of fixed assets | (11,634) |
| Sale of fixed assets | 48,914 |
| Acquisition of right of use assets | <u>(117,956)</u> |
| Net provided by (used in) investing activities | <u>(80,676)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|------------------|
| Long-term loan payments | (72,518) |
| Reduction in operating lease liability | (314,778) |
| Increase in finance lease liability | <u>100,420</u> |
| Net provided by (used in) financing activities | <u>(286,876)</u> |

| | |
|---|----------------|
| NET INCREASE (DECREASE) IN CASH | (85,204) |
| CASH AND RESTRICTED CASH, Beginning of year | <u>174,071</u> |

| | |
|---------------------------------------|-------------------------|
| CASH AND RESTRICTED CASH, End of year | <u><u>\$ 88,867</u></u> |
|---------------------------------------|-------------------------|

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

| | |
|---------------|----------------------|
| Interest paid | <u><u>\$ 997</u></u> |
|---------------|----------------------|

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

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Grace Outreach Center (the Center) is a non-profit organization, which serves as a faith-based intensive outpatient treatment and residential facility that provides a variety of services to adults with addictive disorders in the New Orleans area to assist them in maintaining a lifestyle free from the harmful effects of addiction.

Basis of Accounting

The financial statements of **the Center** have been prepared on the accrual basis of accounting under which revenues recorded when earned and expenses recorded when the liabilities incurred.

Basis Presentation

For the year ended December 31, 2023, **the Center** followed the requirements of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, in the presentation of its financial statements. The purpose of the FASB ASC 2016-04 is to improve the financial reporting of those entities. Among other provisions, this ASC reduces the number of classes of net assets from three to two, requiring the presentation of expenses in both natural and functional classifications, and requiring additional disclosures concerning liquidity and the availability of financial resources.

A description of the two net asset categories is as follows:

Net Assets Without Donor Restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - ORGANIZATION, CONTINUED

Net Assets With Donor Restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Such resources are reported as increases in Net Assets With 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 reclassified from restrictions.

At December 31, 2023, **the Center** did not have any Net Assets With Donor Restrictions.

Receivables

The Center accounts for receivables in accordance with FASB ASC Section 958-605, *Not-for-Profit Entities, Revenue Recognition*, accounting for funds received. In accordance with FASB ASC Section 958-605, funds received or expected to be received are recorded as either Net Assets With Donor Restrictions or Net Assets Without Donor Restrictions.

Funds received that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenues are recognized. All other donor-restricted funds received are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and represented in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated including depreciation, personnel costs, professional services, office expense, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash consists solely of demand deposits that are secured by federal deposit insurance up to \$250,000. All highly liquid debt instruments purchased with an original maturity of three (3) months or less are considered to be cash equivalents for purposes of the Statement of Cash Flows. All deposits are secured by federal deposit insurance at December 31, 2023.

Fixed Assets

Fixed assets that exceed \$1,000 are recorded at cost (or fair market value for donated assets) and are depreciated using the straight-line method over the estimated useful lives of the related assets, which vary from five to seven years.

Income Taxes

The Center is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been recorded in the accompanying financial statements.

Should **the Center's** tax status be challenged in the future, the 2020, 2021, and 2022 tax returns are open for examination by the IRS.

Estimates

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 and disclosures 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.

Fair Values of Financial Institutions

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the Statement of Financial Position. Cash and cash equivalents carrying amounts are reported in the Statement of Financial Position at approximate fair values because of the short maturities of those instruments.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED:

Recently Issued Accounting Pronouncements

In November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842)* which amended ASU 2016-02. This ASU amends the codification regarding leases in order to increase transparency and comparability. The ASU requires companies to recognize lease assets and liabilities on the statement of financial position and disclose key information about leasing arrangements. A lessee would recognize a liability to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. The ASU required that a lease liability and related right-of-use asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for annual periods beginning after December 15, 2020 with early adoption permitted.

In June 2020, the FASB issued ASU 2020-05, which amends the effective date of the standards on *Topic 842* to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the coronavirus disease 2019 (COVID-19) pandemic. The Board deferred the effective date of *Topic 842* for private companies, private-not-for-profit entities, and public non-for-profit entities. The deferral only applies if those entities have not yet issued their financial statements (or made their financial statements available for issuance) as of June 3, 2020. **The Center** adopted ASU 2020-05 for fiscal years beginning after December 15, 2021.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - FIXED ASSETS

Changes in the net book value of furniture and fixtures costs and vehicles during the year ended December 31, 2023 were as follows:

| <u>Description</u> | Balance January 1, 2023 | Additions/ Deletions | Balance December 31, 2023 |
|--------------------------|-------------------------------|-------------------------|---------------------------------|
| Furniture and fixtures | \$ 13,684 | \$ 11,636 | \$ 25,320 |
| Vehicles | 351,384 | (82,600) | 268,784 |
| Accumulated depreciation | <u>(199,495)</u> | <u>(1,028)</u> | <u>(200,523)</u> |
| Total | \$ <u>165,573</u> | \$ <u>(71,992)</u> | \$ <u>93,581</u> |

Depreciation expense totaled \$34,714 for the year ended December 31, 2023.

NOTE 4 - RECEIVABLES

Receivables consist of funds due from the Department of Health and Hospitals - Office Behavioral Health - East Louisiana Mental Health totaling \$323,641.

NOTE 5 - NOTES PAYABLE

RELATED PARTY TRANSACTION

During the year ended December 31, 2023, **the Center** was unable to meet some of its financial obligations; thus, a member of management paid the expenses on behalf of **the Center** to ensure expenses were paid timely. **The Center** entered into a loan agreement with the member of management to properly account for the outstanding obligation. **The Center** recognized a liability totaling \$234,268 at December 31, 2023.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - NOTES PAYABLE, CONTINUED

SECURED LOANS

A summary of notes payable – long-term as of December 31, 2023 is a follows:

| | |
|--|-----------|
| Secured loan with a lending institution bearing 0% Interest with a monthly principal and interest Payment of \$987 maturing April 2026 | \$ 28,612 |
|--|-----------|

| | |
|---|---------------|
| Secured loan with a lending institution bearing 5.9% interest with a monthly principal and Interest payment of \$1,145 maturing December 2026. | <u>42,317</u> |
|---|---------------|

| | |
|--|------------------|
| Total notes payable at December 31, 2023 | <u>\$ 70,929</u> |
|--|------------------|

NOTE 6 - CONTINGENCY AND COMMITMENTS

The Center is the recipient of social service contract funds from various sources. These agreements are governed by various guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these agreements are under the control and administration of **the Center** and are subject to audit and/or review by the applicable funding sources. Any programs compliance requirements found not to be properly conducted in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

The Center has entered into contractual arrangements with certain individuals to provide operational and professional services. Such contracts vary in length of time depending on services.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject **the Center** to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. At December 31, 2023, **the Center** had cash and cash equivalents in the bank totaling \$91,696.

These deposits are stated at cost, which approximates market. Interest and non-interest-bearing deposits are secured from risk by \$250,000 of federal deposit insurance. As of December 31, 2023, **the Center** deposits were within the FDIC limits.

NOTE 8 - RISK MANAGEMENT

The Center is exposed to various risks of loss to torts, theft of, damage to and destruction of assets, for which **the Center** carries commercial liability insurance. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

NOTE 9 - BOARD COMPENSATION

The Board of Directors of **the Center** is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2023.

NOTE 10 - PERSONNEL SERVICES

Personnel services are provided to **the Center** by utilizing leased employees. **The Center** contracts with a 3rd party servicer, an employee leasing company to perform certain aspects of its human resource functions including hiring staff selected by **the Center** and providing contracted benefits to those employees. The leased employees provide personnel services to **the Center**, which are reimbursed in full to the employee leasing company by **the Center**.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - LEASES

Finance Leased Vehicle – 2023 Lincoln Navigator - Red

The Center entered into a financing lease for a leased vehicle on May 15, 2023. The lease is a 38-month lease with monthly payments of \$2,365. At December 31, 2023, a Right of Use Asset was recorded under a financing lease valued at \$83,565 and accumulated amortization associated with the financing leased vehicle was \$16,586 with a net value of \$66,998. As of December 31, 2023, the finance lease obligations associated with the financed leased vehicle totaled \$25,743 in short-term finance liabilities and \$40,998 in long-term finance liabilities, totaling \$66,741.

Future minimum lease payments under the financed leased vehicle as of December 31, 2023, are as follows:

Future Minimum Lease Payments– 2023 Lincoln Navigator - Red

| | <u>Finance Lease</u> | | |
|-------------------|----------------------|-------------------|------------------|
| <u>Year Ended</u> | <u>Payment</u> | <u>Interest</u> | <u>Liability</u> |
| December 31, 2024 | \$ 28,380 | \$ (2,637) | \$ 25,743 |
| December 31, 2025 | 28,380 | (1,376) | 27,004 |
| December 31, 2026 | <u>14,190</u> | <u>(196)</u> | <u>13,994</u> |
| Total | <u>\$ 70,950</u> | <u>\$ (4,209)</u> | <u>\$ 66,741</u> |

Finance Leased Vehicle – 2023 Lincoln Navigator - Black

The Center entered into a finance lease for a leased vehicle on June 30, 2023. The lease is a 38-month lease with monthly payments of \$2,365. At December 31, 2023, a Right of Use Asset was recorded under a finance lease valued at \$84,501 and accumulated amortization associated with the financed leased vehicle was \$15,418, with a net value of \$69,083. As of December 31, 2023, the finance lease obligations associated with the financed leased vehicle totaled \$25,855 in short-term finance liabilities and \$43,810 in long-term finance liabilities, totaling \$69,665.

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - LEASES, CONTINUED

Future minimum lease payments under the financed leased vehicle as of December 31, 2023, are as follows:

Future Minimum Lease Payments– *2023 Lincoln Navigator - Black*

| | <u>Finance Lease</u> | | |
|-------------------|----------------------|-------------------|------------------|
| <u>Year Ended</u> | <u>Payment</u> | <u>Interest</u> | <u>Liability</u> |
| December 31, 2024 | \$ 28,896 | \$ (3,041) | \$ 25,855 |
| December 31, 2025 | 28,896 | (1,651) | 27,245 |
| December 31, 2026 | <u>16,856</u> | <u>(291)</u> | <u>16,565</u> |
| Total | <u>\$ 74,648</u> | <u>\$ (4,983)</u> | <u>\$ 69,665</u> |

Operating Lease - Group Home

The Center entered into an operating lease for a group home on December 4, 2022. The lease is a 10-year primary term with a base rent of \$40,000 per month with 3% annual escalations. At December 31, 2023, a Right of Use Asset was recorded under the operating lease valued at \$3,879,361 and accumulated amortization associated with the group home operating lease was \$417,031 with a net value of \$3,462,330. As of December 31, 2023, the operating lease obligations associated with the group home totaled \$329,140 in short-term operating lease liabilities and \$3,195,443 in long-term operating lease liabilities, totaling \$3,524,583.

Future minimum lease payments under group home operating leases as of December 31, 2023, are as follows:

Future Minimum Lease Payments – *Group Home*

| | <u>Finance Lease</u> | | |
|-------------------|----------------------|-------------------|---------------------|
| <u>Year Ended</u> | <u>Payment</u> | <u>Interest</u> | <u>Liability</u> |
| December 31, 2024 | \$ 480,000 | \$ (150,860) | \$ 329,140 |
| December 31, 2025 | 480,000 | (135,842) | 344,158 |
| December 31, 2026 | 480,000 | (120,139) | 359,861 |
| December 31, 2027 | 480,000 | (103,720) | 376,280 |
| December 31, 2028 | 480,000 | (86,551) | 393,449 |
| Thereafter | <u>1,880,000</u> | <u>(158,305)</u> | <u>1,721,695</u> |
| Total | <u>\$ 4,280,000</u> | <u>\$ 755,417</u> | <u>\$ 3,524,583</u> |

GRACE OUTREACH CENTER
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - LIQUIDITY AND AVAILABILITY

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

| | |
|---------------------------|--------------------------|
| | <u>2023</u> |
| Cash and cash equivalents | \$ 88,867 |
| Receivables | <u>323,641</u> |
| | <u>\$ 412,508</u> |

Management has a goal to maintain sufficient financial resources on hand to meet sixty (60) days of normal operating expenses.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Center had outstanding liabilities related to 2022 rent and triple net lease expenses that were not accrued at December 31, 2022. A \$114,069 net asset prior period adjustment was recorded to properly reflect the 2022 rent expense.

NOTE 14 - SUBSEQUENT EVENTS

The Center is required to evaluate events or transactions that may occur after the Statement of Financial Position date for potential recognition or disclosure in the financial statements. **The Center** performed such an evaluation through June 22, 2024, the date which the financial statements were available to be issued.

No other subsequent events occurring after June 22, 2024, have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

GRACE OUTREACH CENTER
(A NON PROFIT CORPORATION)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER (STATEMENT C)
FOR THE YEAR ENDED DECEMBER 31, 2023

Agency Head Name, Title: Pythian Noah, Executive Director

| <u>PURPOSE</u> | <u>AMOUNT</u> |
|---|---------------|
| Salary | \$ 311,300 |
| Benefits-insurance | \$ 16,959 |
| Benefits-retirements | \$ 12,452 |
| Car allowance | - |
| Vehicle provided by government (enter amount reported on W-2) | - |
| Per diem | - |
| Reimbursements | \$ 53,865 |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Housing | - |
| Unvouchered expenses (example: travel advances, etc.) | - |
| Special meals | \$ 950 |
| Other | - |

Sean M. Bruno
Certified Public Accountants, LLC

Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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
Grace Outreach Center
New Orleans, Louisiana

I 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 **Grace Outreach Center (the Center)** (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023, 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 my report thereon dated June 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered **the Center's** internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **the Center's** internal control. Accordingly, I do not express an opinion on the effectiveness of **the Center's** internal control.

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*

(CONTINUED)

Report on Internal Control Over Financial Reporting, Continued

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.

My 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **the Center's** financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

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*

(CONTINUED)

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS, LLC
New Orleans, Louisiana

June 22, 2024

GRACE OUTREACH CENTER
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I SUMMARY OF INDEPENDENT AUDITORS' REPORTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of **the Center**.
2. No material weakness in internal control relating to the audit of the financial statements was reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **the Center** was reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. A management letter was not issued for the year ended December 31, 2023.

GRACE OUTREACH CENTER
SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II FINANCIAL STATEMENT FINDINGS

None noted.

GRACE OUTREACH CENTER
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION III SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Audit Finding Reference Number

2022-001 – Untimely Submission of Audit Report

Criteria

Pursuant to the requirements of Louisiana Statute R.S. 24:513 A. (5) (a)(i), annual financial reports shall be completed within six (6) months of the close of an entity's fiscal year.

Repeat

No.

Status

Resolved.

GRACE OUTREACH CENTER, INC.

Statewide Agreed-Upon Procedures (R.S. 24:513)
Report

FOR THE YEAR ENDED
DECEMBER 31, 2023

Sean M. Bruno
Certified Public Accountants, LLC

Sean M. Bruno
Certified Public Accountants, LLC

Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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

To the Board of Directors
Grace Outreach Center, Inc.
and the Louisiana Legislative Auditor

I have performed the procedures enumerated below, on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2023, through December 31, 2023. **Grace Outreach Center, Inc.'s (GOC)** management is responsible for those C/C areas identified in the SAUPs.

Grace Outreach Center, Inc. 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.
 - 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.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) ***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).
- i) ***Ethic***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Information Technology Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available systems and software patches/updates and (6) identification of personnel, processes and tools needed to recover operations after a critical event.
- l) ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Results of Procedures: GOC has written policy and procedures addressing disbursements, receipts/collections, credit cards and travel and expense reimbursement. No written policies address payroll/personnel and debt service as GOC has no employees (all personnel services are outsourced) and has no issued debt. GOC is a non-profit 501(c)(3) corporation, therefore the ethics and sexual harassment categories are not applicable. The budgeting procedures do not include amending the budget, purchasing procedures do not address how vendors are added to the vendor list and contracting procedures do not address the five (5) sub-categories listed above.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: No exceptions were found as a result of applying the above procedure.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on all proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the non-profit 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: Exception noted. The minutes did not reference or include financial activity relating to public funds.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: Not applicable as GOC is a non-profit entity.

- 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: Exception noted. I was unable to observe that the board/finance committee received written updates to the progress of resolving audit findings.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

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 each selected account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include written evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results of Procedures: GOC has one operating account. The selected reconciliation was not prepared within two (2) months of the related statement closing date. I did not observe written evidence that a member of management reviewed the reconciliation within 1 month of preparation date. There were no reconciling items that were outstanding for more than twelve (12) months; therefore, no research was necessary.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

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

Results of Procedures: I noted no exceptions to the above procedures.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfers (EFT), wire transfer or some other electronic means.
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 that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
11. Using the entity's main operating account and the month selected in Bank Reconciliations procedures #3, randomly select 5 non-payroll-related electronic (or all electronic disbursements if less than 5) and observe that each electronic disbursements 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.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Results of Procedures: I noted no exceptions to the above procedures.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (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.

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 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.

Results: Exception noted. None of the statements selected included evidence of written review and approval.

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

Results: Exception noted. The one credit card selected included assessed finance charges and late fees.

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 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.

Results: Exceptions noted. Of the 25 transactions selected, 1) 5 transactions did not have an original itemized receipt that identified precisely what was purchased, 2) none of the 25 transactions included written documentation of the business/public purpose and 3) there were 4 transactions with missing receipts. (Note: management did not have compensating controls to address missing receipts).

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

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, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results of Procedures: The management of **GOC** has represented that there were no travel or travel-related expense reimbursements for the fiscal year ended December 31, 2023.

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 that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

- 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 that the invoice and related payment agreed to the terms and conditions of the contract.

Results of Procedures: I noted no exceptions to the above procedures.

Payroll and Personnel

- 17. 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.
- 18. 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 or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and do not document their attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that 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.
- 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.
- 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.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Results of Procedures: GOC had no employees during the fiscal year. All personnel services are outsourced to a third party, Administrative OneSource. All personnel are employees of Administrative OneSource. This section is not applicable to GOC.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
22. Inquire and/or observe whether the Agency has appointed an ethics designee as required by R.S. 42:1170.

Results of Procedures: GOC is a non-profit corporation. This section of the AUP is not applicable to GOC.

Debt Service

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

Results of Procedures: GOC has no debt. This area is not applicable.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Fraud Notice

-
25. 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.
26. 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 of Procedures: The management of **GOC** represented that there were no misappropriations of public funds or assets during the fiscal year. The notice required by R.S. 24:523.1 concerning the misappropriation, fraud, waste, or abuse of public funds has been posted on its premises. **GOC** does not maintain a website.

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27. Perform the following procedures, **verbally discuss the results with management, and report "I performed the procedure 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, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - b. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backup 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 with the past 3 months.
 - c. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #18. Observe evidence that the selected terminated employees have been removed or disabled from the network.

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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

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29. Using the 5 randomly selected employees/officials from Payroll and Personnel Procedure #17, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access the agency's information technology assets have completed cybersecurity training as required by R.S.42:1267. The requirements are as follows

- Hired before June 9, 2020-completed the training; and
- Hired on or after June 9, 2020-completed the training within 30 days of initial service or employment.

Results of Procedures: I performed the procedure and discussed the results with management.

Prevention of Sexual Harassment

30. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

31. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

32. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the reported was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results of Procedures: GOC is a non-profit corporation. This section of the AUP is not applicable to GOC.

INDEPENDENT ACCOUNTANT'S REPORT
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(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

I was engaged by **Grace Outreach Center, 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*. I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you.

I was required to be independent of **Grace Outreach Center, 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.



SEAN M. BRUNO
CERTIFIED PUBLIC ACCOUNTANTS, LLC
New Orleans, Louisiana

June 21, 2024