

INNOCENCE PROJECT NEW ORLEANS

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Innocence Project New Orleans

Report on the Financial Statements

We have audited the accompanying financial statements of Innocence Project New Orleans (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 Innocence Project New Orleans 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.



To the Board of Directors of
Innocence Project New Orleans

Prior Period Financial Statements

The financial statements of Innocence Project New Orleans as of December 31, 2018, were audited by other auditors whose report dated June 18, 2019, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 31, 2019, on our consideration of Innocence Project New Orleans'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 Innocence Project New Orleans'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 Innocence Project New Orleans's internal control over financial reporting and compliance.

September 13, 2020
New Orleans, Louisiana

Erickson Krentel, LLP
Certified Public Accountants

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS:</u>		
Cash	\$ 188,180	\$ 240,599
Contributions receivable	39,197	28,092
Grants receivable	30,000	55,000
Prepaid insurance	5,173	14,020
Property and equipment, net	<u>274,150</u>	<u>282,152</u>
 Total assets	 <u>\$ 536,700</u>	 <u>\$ 619,863</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 10,792	\$ 23,310
Deposits	10,184	4,407
Notes payable:		
Current portion	7,949	7,526
Long-term portion	<u>164,469</u>	<u>172,276</u>
 Total liabilities	 <u>193,394</u>	 <u>207,519</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	219,505	342,344
With donor restrictions	<u>123,801</u>	<u>70,000</u>
 Total net assets	 <u>343,306</u>	 <u>412,344</u>
 Total liabilities and net assets	 <u>\$ 536,700</u>	 <u>\$ 619,863</u>

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<u>SUPPORT AND OTHER REVENUES:</u>			
Contributions	\$ 539,677	\$ -	\$ 539,677
Grants	147,000	250,000	397,000
Contracts	360,000	-	360,000
Fundraising events, net (direct costs of \$45,499)	179,183	-	179,183
Other revenue	(2,778)	-	(2,778)
Net assets released from restrictions	<u>196,199</u>	<u>(196,199)</u>	<u>-</u>
 Total support and other revenues	 <u>1,419,281</u>	 <u>53,801</u>	 <u>1,473,082</u>
<u>EXPENSES:</u>			
Program activities	1,298,858	-	1,298,858
Supporting activities:			
Fundraising	111,229	-	111,229
Management and General	<u>132,033</u>	<u>-</u>	<u>132,033</u>
 Total expenses	 <u>1,542,120</u>	 <u>-</u>	 <u>1,542,120</u>
 Change in net assets	 (122,839)	 53,801	 (69,038)
 Net assets, beginning of year	 <u>342,344</u>	 <u>70,000</u>	 <u>412,344</u>
 Net assets, end of year	 <u>\$ 219,505</u>	 <u>\$ 123,801</u>	 <u>\$ 343,306</u>

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND OTHER REVENUES:</u>			
Contributions	\$ 468,722	\$ 20,000	\$ 488,722
Grants	389,213	50,000	439,213
Contracts	360,000	-	360,000
Fundraising events, net (direct costs of \$37,952)	186,695	-	186,695
Other revenue	932	-	932
Net assets released from restrictions	<u>250,000</u>	<u>(250,000)</u>	<u>-</u>
 Total support and other revenues	 <u>1,655,562</u>	 <u>(180,000)</u>	 <u>1,475,562</u>
<u>EXPENSES:</u>			
Program activities	1,186,805	-	1,186,805
Supporting activities:			
Fundraising	108,115	-	108,115
Management and General	<u>155,299</u>	<u>-</u>	<u>155,299</u>
 Total expenses	 <u>1,450,219</u>	 <u>-</u>	 <u>1,450,219</u>
 Change in net assets	 205,343	 (180,000)	 25,343
 Net assets, beginning of year	 <u>137,001</u>	 <u>250,000</u>	 <u>387,001</u>
 Net assets, end of year	 <u>\$ 342,344</u>	 <u>\$ 70,000</u>	 <u>\$ 412,344</u>

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Supporting Activities				Total
	Program Activities	Fundraising	Management and General	Total Supporting Services	
Salaries and wages	\$ 820,041	\$ 85,678	\$ 76,158	\$ 161,836	\$ 981,877
Payroll taxes and employee benefits	159,837	16,557	14,351	30,908	190,745
Total salaries and related expenses	979,878	102,235	90,509	192,744	1,172,622
Office operations	49,099	2,467	2,467	4,934	54,033
Exonerree assistance	53,334	-	-	-	53,334
Special events	-	45,499	-	45,499	45,499
Professional fees	33,954	-	11,396	11,396	45,350
Travel	29,494	-	2,917	2,917	32,411
Insurance	26,906	687	458	1,145	28,051
Postage and delivery	20,495	891	891	1,782	22,277
Staff development	21,081	-	-	-	21,081
Forensic/DNA testing costs and expert fees	20,536	-	-	-	20,536
Books and publications	11,349	2,700	-	2,700	14,049
Depreciation	-	-	11,580	11,580	11,580
Telecommunications	10,429	333	333	666	11,095
Interest	-	-	10,789	10,789	10,789
Printing and duplicating	7,998	-	-	-	7,998
Automobile	7,010	390	390	780	7,790
Repairs and maintenance	6,972	303	303	606	7,578
Membership dues	6,494	-	-	-	6,494
Filing fees	5,643	-	-	-	5,643
Meetings/conferences/events	3,572	1,223	-	1,223	4,795
Miscellaneous expenses	4,614	-	-	-	4,614
Total expenses by function	1,298,858	156,728	132,033	288,761	1,587,619
Less expenses included with revenue on the statement of activities	-	(45,499)	-	(45,499)	(45,499)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,298,858</u>	<u>\$ 111,229</u>	<u>\$ 132,033</u>	<u>\$ 243,262</u>	<u>\$ 1,542,120</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Supporting Activities				Total
	Program Activities	Fundraising	Management and General	Supporting Services	
Salaries and wages	\$ 727,777	\$ 78,916	\$ 70,147	\$ 149,063	\$ 876,840
Payroll taxes and employee benefits	138,642	11,949	10,340	22,289	160,931
Total salaries and related expenses	866,419	90,865	80,487	171,352	1,037,771
Office operations	119,493	5,195	5,195	10,390	129,883
Special events	-	37,952	-	37,952	37,952
Travel	34,429	-	3,434	3,434	37,863
Professional fees	12,298	-	15,652	15,652	27,950
Postage and delivery	24,029	1,045	1,045	2,090	26,119
Forensic/DNA testing costs and expert fees	22,360	-	-	-	22,360
Repairs and maintenance	18,578	808	808	1,616	20,194
Insurance	18,654	589	393	982	19,636
Exoneree assistance	18,361	-	-	-	18,361
Depreciation	-	-	16,502	16,502	16,502
Books and publications	13,155	2,869	-	2,869	16,024
Staff development	-	-	15,592	15,592	15,592
Meetings/conferences/events	4,048	6,213	4,302	10,515	14,563
Interest	-	-	11,358	11,358	11,358
Telecommunications	9,831	314	314	628	10,459
Printing and duplicating	8,956	-	-	-	8,956
Automobile	4,997	217	217	434	5,431
Filing fees	4,778	-	-	-	4,778
Membership dues	3,986	-	-	-	3,986
Miscellaneous expenses	2,433	-	-	-	2,433
Total expenses by function	1,186,805	146,067	155,299	301,366	1,488,171
Less expenses included with revenue on the statement of activities	-	(37,952)	-	(37,952)	(37,952)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,186,805</u>	<u>\$ 108,115</u>	<u>\$ 155,299</u>	<u>\$ 263,414</u>	<u>\$ 1,450,219</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

INNOCENCE PROJECT NEW ORLEANS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (69,038)	\$ 25,343
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	11,580	16,502
Loss on disposal of property and equipment	5,362	1,334
(Increase) decrease in:		
Contributions receivable	(11,105)	195,668
Grants receivable	25,000	15,000
Prepaid insurance	8,847	(5,808)
Increase (decrease) in:		
Accounts payable	(21,458)	11,534
Deposits	<u>5,777</u>	<u>1,162</u>
Net cash from (used for) operating activities	<u>(45,035)</u>	<u>260,735</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	-	(14,445)
Proceeds from disposal of property and equipment	<u>-</u>	<u>2,445</u>
Net cash (used for) investing activities	<u>-</u>	<u>(12,000)</u>
<u>CASH FLOWS USED FOR FINANCING ACTIVITIES:</u>		
Repayment of proceeds from line of credit	-	(30,000)
Payments on note payable	<u>(7,384)</u>	<u>(6,948)</u>
Net cash (used for) financing activities	<u>(7,384)</u>	<u>(36,948)</u>
Net increase (decrease) in cash and cash equivalents	(52,419)	211,787
Cash and cash equivalents, beginning of year	<u>240,599</u>	<u>28,812</u>
Cash and cash equivalents, end of year	<u>\$ 188,180</u>	<u>\$ 240,599</u>

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS

Nature of Activities

Innocence Project New Orleans (IPNO) was incorporated on May 1, 2001, pursuant to the provisions of the Louisiana Nonprofit Law, Louisiana R.S. 12:201 – 12:269 (1950 as amended).

IPNO frees innocent, life-sentenced prisoners, supports their clients living well and fully in the world after their release, and advocates for sensible criminal justice policies that reduce wrongful convictions.

IPNO offers and provides the following programs and services:

- Case Review and Representation
- Education/Public Outreach and Policy Reform Program
- Life after Life Program

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, IPNO is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets With Donor Restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets Without Donor Restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

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.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Cash and Cash Equivalents

IPNO's cash consists of cash on deposit with a bank. IPNO had no cash equivalents as of December 31, 2019 and 2018.

Contributions and Grants Receivable

IPNO receives funding from various agencies for administering various grants. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are met. Management closely monitors outstanding receivable balances and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off. All receivable balances are considered fully collectible by management. Accordingly, no provision for doubtful accounts is considered necessary as of December 31, 2019 and 2018.

Property and Equipment

Property and equipment of IPNO are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements, and expenditures greater than \$500 that significantly extend the useful life of an asset are capitalized.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Building	30 years
Furniture, fixtures, and office equipment	3 -5 years
Vehicles	5 years

The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and improvements are capitalized.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Revenue Recognition

Contract Revenue

Revenues from state contracts are recorded when IPNO has a right to reimbursement under the related contract, generally corresponding to the incurring of contract related costs, or when otherwise earned under the terms of the contracts.

Contributions Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (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 statements of activities as net assets released from restrictions.

Contributed property and equipment with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Special Events

IPNO receives revenues from special events. A portion of special event revenues is recognized as a contribution at the time of the ticket purchase. These amounts are reported to the donor as tax-deductible when received. The remainder of special event revenues are recognized when the event takes place as the event is the relevant performance obligation.

In-kind Donations

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of IPNO.

Income Taxes

IPNO is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the IPNO's tax-exempt purpose is subject to taxation as unrelated business income.

IPNO's evaluation as of December 31, 2019 revealed no tax positions that would have a material impact on the financial statements. The 2016 through 2018 tax years remain subject to examination by the IRS. The tax return for the year ended December 31, 2019 has not been filed as of the report date. IPNO does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

New Accounting Pronouncement

The FASB has issued Update No. 2014-09, "*Revenue from Contracts with Customers*." The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. This adoption had no material impact on IPNO's financial statements.

The FASB has issued Update No. 2018-08, "*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*." The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments in this Update require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This adoption had no material impact on IPNO's financial statements.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Date of Management's Review

Subsequent events have been evaluated through September 13, 2020, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the IPNO's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. However, amounts already appropriated for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	<u>2019</u>	<u>2018</u>
Financial assets, at year end	\$ 257,377	\$ 323,691
Less those unavailable for general expenditure within one year due to:		
Donor imposed restrictions	<u>(123,801)</u>	<u>(70,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>133,576</u>	\$ <u>253,691</u>

IPNO's goal is generally to maintain financial assets to meet three months of critical operating expenses, which includes salaries and rent. This amount is to be covered by the IPNO's current financial assets and \$100,000 line of credit (see Note 5) available to meet cash flow needs.

(3) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

	<u>2019</u>	<u>2018</u>
Cash paid for interest	\$ 10,789	\$ 11,358

Non-Cash Investing and Financing Activities

Noncash operating and investing activity for the year ended December 31, 2019 consisted of trading in equipment for roofing installation services. Total costs of the roofing installation were \$19,940 reduced by \$11,000 for the value of the equipment. Amount payable as of December 31, 2019 totaled \$8,940 and is included in accounts payable on the statement of financial position.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31st:

	2019	2018
Land	\$ 40,100	\$ 40,100
Buildings	264,413	244,473
Vehicles	14,445	37,545
Furniture and equipment	14,040	14,040
Computers	22,864	22,864
	355,862	359,022
Less: accumulated depreciation	(81,712)	(76,870)
	\$ 274,150	\$ 282,152

Depreciation expense totaled \$11,580 and \$16,502 for the years ended December 31, 2019 and 2018, respectively.

(5) LINE OF CREDIT

IPNO entered into an agreement with a bank for a line of credit. The line of credit bears interest rates of 6.62% and 7.25% at December 31, 2019 and 2018, respectively, and matured in May 2019. As of December 31, 2019, and 2018, there was no outstanding balance. The line of credit is secured by real estate of IPNO. See Note 9 for further information regarding an amendment to the line of credit made after December 31, 2019

(6) NOTE PAYABLE

IPNO entered a mortgage note payable agreement in March 2014 with a bank in the amount of \$209,573, due in March 2034, at 5.75% interest. Principal and interest payments are due monthly to the lender until the maturity date. The mortgage note is secured by the land and building. Total balance outstanding as of December 31, 2019 and 2018 was \$172,418 and \$179,802, respectively. See Note 9 for further information regarding an amendment to the note payable made after December 31, 2019

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

(6) NOTE PAYABLE (CONTINUED)

Annual principal payments on notes payable for each of the next five years and in total thereafter at December 31, 2019 are as follows:

2020	\$	7,949
2021		8,453
2022		8,959
2023		9,496
2024		10,042
2025-2034		<u>127,519</u>
	\$	<u>172,418</u>

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following at December 31st:

	<u>2019</u>	<u>2018</u>
Case work	\$ 9,255	\$ -
Re-entry	9,221	-
Time restriction	-	10,000
Purpose restriction	<u>105,325</u>	<u>60,000</u>
	<u>\$ 123,801</u>	<u>\$ 70,000</u>

Net assets with donor restrictions were released from restrictions for the following purposes during the year ended December 31st:

	<u>2019</u>	<u>2018</u>
Case work	\$ 24,675	\$ -
Re-entry	110,779	-
Time restrictions	10,000	190,000
Purpose restrictions	<u>50,745</u>	<u>60,000</u>
	<u>\$ 196,199</u>	<u>\$ 250,000</u>

INNOCENCE PROJECT NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018

(8) CONCENTRATION OF CREDIT RISK

IPNO maintains its cash balances in one financial institution. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and December 31, 2018, there were no uninsured portions of bank balances.

For the years ended December 31, 2019 and 2018, IPNO received 24% of its total revenue from the Louisiana Public Defense Board.

(9) SUBSEQUENT EVENTS

Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency including the state of Louisiana. It is anticipated that these impacts will continue for some time. The future effects of these issues are unknown.

Line of Credit

On January 22, 2020, the line of credit was extended for 36 months with a maturity of February 2023 and interest rate of bank prime less 1% adjusting daily with a floor rate of 4.25%.

Notes Payable

On March 16, 2020, the mortgage note payable terms were changed. Interest rate was lowered to 5.5% fixed for a term of three years, then adjusting every three years at bank prime less 2.0% with a floor of 4.25%.

On April 23, 2020, IPNO entered into a note payable agreement with the U.S. Small Business Administration Paycheck Protection Program in the amount of \$219,100, due April 23, 2020, at 1.00% interest. After a deferral period of six months, principal and interest payments are due monthly to the lender until the maturity date. This loan is subject to an expected forgivable portion. The amount of loan forgiveness for this loan shall not exceed the principal amount of the note and is subject to the SBA Rules and Regulations consistent with the Paycheck Protection Program Rule.

(10) RECLASSIFICATIONS

Certain items on the 2018 financial statements have been reclassified to conform to the current year's presentation. Net assets and increase in net assets are unchanged due to these reclassifications.

INNOCENCE PROJECT NEW ORLEANS
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

(See Independent Auditors' Report)

	<u>Jee Park, Executive Director</u>
Time served	01/01/2019 - 12/31/2019
Salary	\$ 104,563
Benefits - insurance (health and dental)	6,978
Benefits - cell phone	504
Per diem	300
Reimbursements	1,496
Registration fees	375
Conference travel	<u>535</u>
Total compensation, benefits, and other payments	<u>\$ 114,751</u>



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

To the Board of Directors of
Innocence Project New Orleans

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 Innocence Project New Orleans (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 13, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency.



To the Board of Directors of
Innocence Project New Orleans

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IPNO'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Innocence Project New Orleans's Response to Findings

Innocence Project New Orleans's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Innocence Project New Orleans's response was 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 IPNO'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.

September 13, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

INNOCENCE PROJECT NEW ORLEANS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Innocence Project New Orleans.
2. No material weaknesses and one significant deficiency was disclosed during the audit of the financial statements and is 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 Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were 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 Performed in Accordance with *Government Auditing Standards*.
4. A management letter was not issued for the year ended December 31, 2019.

SECTION II FINANCIAL STATEMENT FINDINGS

2019-001 Year-End Closing Procedures

Criteria: The COSO Framework provides for a robust set of internal controls, which includes organizations having effective internal controls over its financial reporting closing process.

Condition: IPNO failed to properly close its books for the year ended December 31, 2019.

Effect: Several asset and liability accounts of IPNO were materially misstated as of December 31, 2019. A total of 8 adjusting journal entries were made during the audit for the year ended December 31, 2019. The effect of such entries was to decrease the change in net assets of IPNO by \$87,005.

Cause: Due to the circumstances and difficulties caused by the coronavirus pandemic, IPNO was unable to follow its established year-end closing procedures, mainly having the board treasurer review the books and records before submitting them to be audited.

Recommendation: The board and management should put additional policies and procedures in place to ensure that established policies and procedures are followed during unusual circumstances or are timely amended to deal with the unusual circumstances.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action Plan for further information.

INNOCENCE PROJECT NEW ORLEANS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

NOT APPLICABLE

SECTION II – MANAGEMENT LETTER ITEMS

NOT APPLICABLE

INNOCENCE PROJECT NEW ORLEANS
MANAGEMENT'S CORRECTIVE ACTION PLAN - FINDINGS
DECEMBER 31, 2019

September 13, 2020

Louisiana Legislative Auditor

Innocence Project New Orleans (IPNO) respectfully submits the following corrective action plan for the year ended December 31, 2019.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
4227 Canal Street
New Orleans, LA 70119

Audit Period: January 1, 2019 – December 31, 2019

The findings from the December 31, 2019 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule.

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Significant Deficiency

2019-001 Year-End Closing Procedures

Recommendation: The board and management should put additional policies and procedures in place to ensure that established policies and procedures are followed during unusual circumstances or are timely amended to deal with the unusual circumstances.

Response: IPNO will establish and implement the following policies to ensure IPNO is prepared for any unusual circumstances. These policies will be added to IPNO's Accounting Manual:

- With the guidance of IPNO's current board treasurer, a checklist of activities to be completed monthly by the bookkeeper/finance manager will be developed. This checklist of activities will be reviewed monthly by the managing director to ensure compliance. The checklist itself will be reviewed annually by the treasurer (in consultation with managing director and executive director) to determine its adequacy and, depending on the skills/capacity of the bookkeeper/finance manager, the checklist will be amended.

- At minimum, on a quarterly basis, an outside, contract bookkeeper (volunteer or paid) will review the monthly checklist activities to ensure thorough and accurate completion of all bookkeeping tasks and provide other needed financial review and oversight. The outside bookkeeper will provide a quarterly report to the executive director and managing director.
- An outside, contract bookkeeper (volunteer or paid) will conduct a year-end review to ensure all year-end closing procedures have been completed before sending the books to the auditor. The outside bookkeeper will work with the staff bookkeeper/finance manager to clean up any bookkeeping entries to ensure accurate reporting. The bookkeeper must confirm that the books are in order to the managing director, executive director and the treasurer of the board of directors prior to them being provided to the auditors.

If there are any questions regarding this plan, please contact Jee Park, Executive Director, at (504) 943-1902.

Sincerely,



Jee Park
Executive Director