

Hearts of Hope

Financial Report

Years Ended December 31, 2020 and 2019

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of financial position	4
Statement of activities	5-6
Statement of functional expenses	7-8
Statement of cash flows	9
Notes to financial statements	10-16
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	18-19
Summary Schedule of Current and Prior Year Audit Findings and Management's Corrective Action Plan	20

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Hearts of Hope as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2021, on our consideration of Hearts of Hope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hearts of Hope's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hearts of Hope's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
June 28, 2021

FINANCIAL STATEMENTS

HEARTS OF HOPE
Lafayette, Louisiana

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 351,779	\$ 290,696
Grants receivable	131,387	77,146
Other receivables	-	5,327
Prepaid expenses	20,039	13,260
Total current assets	503,205	386,429
Property and equipment, net	475,682	482,530
Other assets:		
Beneficial interest in assets held by others	70,899	66,960
Total assets	\$ 1,049,786	\$ 935,919
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,720	\$ 2,012
Accrued payroll	15,785	10,046
Payroll tax liabilities	2,995	3,181
Accrued compensated absences	13,182	2,137
Note payable	6,038	4,136
Total current liabilities	45,720	21,512
Net assets:		
Without donor restrictions:		
Designated for endowment	70,899	66,960
Undesignated	933,167	847,447
Total net assets	1,004,066	914,407
Total liabilities and net assets	\$ 1,049,786	\$ 935,919

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Grants:			
State	\$ 725,481	\$ -	\$ 725,481
Local	<u>138,362</u>	<u>-</u>	<u>138,362</u>
Total grants	863,843	-	863,843
Public support donations	11,685	-	11,685
Fundraising	22,873	-	22,873
Other income	1,597	-	1,597
Service fees	92,000	-	92,000
Investment income	1,326	-	1,326
Unrealized gain on investments	<u>3,048</u>	<u>-</u>	<u>3,048</u>
Total support and revenues	<u>996,372</u>	<u>-</u>	<u>996,372</u>
Expenses:			
Program services-			
Children's Advocacy Center	252,755	-	252,755
Sexual Abuse Response Center	292,640	-	292,640
Sexual Assault Nurse Examiners	<u>182,075</u>	<u>-</u>	<u>182,075</u>
	<u>727,470</u>	<u>-</u>	<u>727,470</u>
Supporting services -			
Management and general	158,762	-	158,762
Fundraising	<u>20,481</u>	<u>-</u>	<u>20,481</u>
Total supporting services	<u>179,243</u>	<u>-</u>	<u>179,243</u>
Total expenses	<u>906,713</u>	<u>-</u>	<u>906,713</u>
Change in net assets	89,659	-	89,659
Net assets, beginning of year	<u>914,407</u>	<u>-</u>	<u>914,407</u>
Net assets, end of year	<u>\$ 1,004,066</u>	<u>\$ -</u>	<u>\$ 1,004,066</u>

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Grants:			
State	\$ 580,158	\$ -	\$ 580,158
Local	<u>97,295</u>	<u>20,074</u>	<u>117,369</u>
Total grants	677,453	20,074	697,527
Public support donations	39,343	-	39,343
Fundraising	59,826	-	59,826
Other income	4,140	-	4,140
Service fees	85,500	-	85,500
Investment income	1,473	-	1,473
Unrealized gain on investments	6,166	-	6,166
Net assets released from restrictions	<u>20,074</u>	<u>(20,074)</u>	<u>-</u>
Total support and revenues	<u>893,975</u>	<u>-</u>	<u>893,975</u>
Expenses:			
Program services-			
Children's Advocacy Center	253,395	-	253,395
Sexual Abuse Response Center	278,927	-	278,927
Sexual Assault Nurse Examiners	<u>170,765</u>	<u>-</u>	<u>170,765</u>
	<u>703,087</u>	<u>-</u>	<u>703,087</u>
Supporting services -			
Management and general	162,454	-	162,454
Fundraising	<u>16,140</u>	<u>-</u>	<u>16,140</u>
Total supporting services	<u>178,594</u>	<u>-</u>	<u>178,594</u>
Total expenses	<u>881,681</u>	<u>-</u>	<u>881,681</u>
Change in net assets	12,294	-	12,294
Net assets, beginning of year	<u>902,113</u>	<u>-</u>	<u>902,113</u>
Net assets, end of year	<u>\$ 914,407</u>	<u>\$ -</u>	<u>\$ 914,407</u>

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

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

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

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services				Supporting Services			Total Expenses
	CAC Program Activities	SARC Program Activities	SANE Program Activities	Total	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 149,329	\$ 174,217	\$ 74,665	\$ 398,211	\$ 99,553	\$ 3,240	\$ 102,793	\$ 501,004
Employee benefits -								
Payroll taxes	11,291	13,172	5,645	30,108	7,527	-	7,527	37,635
Group insurance	23,591	27,522	11,795	62,908	15,727	-	15,727	78,635
Retirement	1,712	540	-	2,252	-	-	-	2,252
Total payroll and related expenses	185,923	215,451	92,105	493,479	122,807	3,240	126,047	619,526
Annual project/fundraising	-	-	-	-	-	12,900	12,900	12,900
Cleaning	-	-	-	-	5,309	-	5,309	5,309
Client services	17,596	20,529	-	38,125	-	-	-	38,125
Contract labor	13,065	-	52,260	65,325	-	-	-	65,325
Depreciation	4,687	5,468	2,343	12,498	3,125	-	3,125	15,623
Dues and fees	462	539	231	1,232	308	-	308	1,540
Education and professional development	3,617	4,220	1,808	9,645	2,411	-	2,411	12,056
Insurance	6,235	7,274	3,118	16,627	4,157	-	4,157	20,784
Interest	-	-	-	-	665	-	665	665
Legal and accounting	7,124	8,311	3,562	18,997	4,749	-	4,749	23,746
Meetings and receptions	836	975	418	2,229	557	-	557	2,787
Miscellaneous	51	60	25	136	34	-	34	169
Office expense/supplies	4,850	5,659	2,425	12,934	3,234	-	3,234	16,168
Rape kits and supplies	-	-	7,995	7,995	-	-	-	7,995
Rent/building maintenance	-	-	-	-	7,508	-	7,508	7,508
Taxes and licenses	-	-	-	-	1,624	-	1,624	1,624
Technology	2,052	2,394	1,026	5,472	1,368	-	1,368	6,841
Telephone	1,394	1,626	697	3,717	929	-	929	4,645
Travel	2,742	3,199	1,371	7,312	1,828	-	1,828	9,140
Utilities	2,609	3,043	1,304	6,956	1,739	-	1,739	8,695
Volunteer development	152	179	77	408	102	-	102	510
Total	\$ 253,395	\$ 278,927	\$ 170,765	\$ 703,087	\$ 162,454	\$ 16,140	\$ 178,594	\$ 881,681

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statements of Cash Flows
For The Year Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	\$ 89,659	\$ 12,294
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	17,332	15,623
Earnings restricted for long-term endowment	(741)	(1,306)
Unrealized gain on investments	(3,048)	(6,166)
Loss on sale of property and equipment	-	79
Change in current assets and liabilities:		
Grants receivable	(54,241)	20,154
Other receivables	5,327	23,934
Prepaid expenses	(6,779)	3,153
Accounts payable	5,708	(1,717)
Accrued payroll	5,739	1,891
Payroll tax liabilities	(186)	(2,847)
Accrued compensated absences	11,045	(30)
Net cash provided by investing activities	69,815	65,062
Cash flows from investing activities:		
Contribution to endowment assets	(150)	-
Cash flows from financing activities:		
Net increase in short-term debt	1,902	97
Purchase of fixed assets	(10,484)	(22,422)
Net cash used by investing activities	(8,582)	(22,325)
Net increase in cash and cash equivalents	61,083	42,737
Cash and cash equivalents, beginning of year	290,696	247,959
Cash and cash equivalents, end of year	\$ 351,779	\$ 290,696
Supplemental disclosure for the statement of cash flows:		
Interest paid	\$ 607	\$ 665

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Activities

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

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

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

C. Cash and Cash Equivalents

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

D. Property and Equipment

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

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements (Continued)

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

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

E. Revenue and Expense Recognition

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

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

F. Functional Allocation of Expenses

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

G. Income Taxes

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

Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclose in the financial statements. The Organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements (Continued)

H. Compensated Absences

Sick time is accumulated as a single compensated absence. Eight hours are earned per month for all full-time employees (employees working 30 hours or more per week). Any unused accumulated balance can be carried forward to the following year. However, sick leave is forfeited upon leaving employment; accordingly, no liability has been recorded in the accompanying financial statements for sick time. Vacation time is earned monthly based on length of service for all full-time employees. Any unused accumulated balance is forfeited at the end of each year. However, earned vacation time is paid-out upon termination of employment; accordingly, a liability has been recorded in the accompanying financial statements for vacation time. Accrued compensated absences as of December 31, 2020 and 2019 amounted to \$13,182 and \$2,137, respectively.

I. Donated Facilities, Materials, and Services

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

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(2) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of donor-imposed regulation and board designations.

	2020	2019
Financial assets, at year-end	\$ 554,065	\$ 440,129
Less those unavailable for general expenditures within one year, due to:		
Board designations-		
Endowment fund	(70,899)	(66,960)
Financial assets available to meet cash needs for general expenditures within one year	\$ 483,166	\$ 373,169

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements (Continued)

At December 31, 2020 and 2019, the Organization had \$483,166 and \$373,169 of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$351,779 and \$290,696, grants receivable of \$131,387 and \$77,146, and other receivables of \$0 and \$5,327, respectively. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation become due.

(3) Endowment Fund

During fiscal year ending 2003, Hearts of Hope and the Community Foundation of Acadiana (Foundation) entered into an agreement to manage an endowment fund to support the mission of the Organization. The Foundation has limited variance power over the fund. In the event that a donor restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community, the Foundation may modify the restriction through the exercise of the variance power. Distribution from the Fund can be made solely for the support of the purposes of the Organization once the investment has reached \$1,000,000, as stipulated by the Organization's Board of Directors. The Board designated \$150 and \$0 for endowment purposes for the years ended December 31, 2020 and 2019, respectively. The fund is invested in 50% equity funds, 45% in fixed income funds, and 5% in money market funds. The assets of the fund shall be held and invested by the Foundation. There were no distributions from the fund during the years ended December 31, 2020 and 2019.

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

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The endowment investment is reflected in the financial statements as a Beneficial Interest in Assets Held by Others and Net Assets without Donor Restrictions – Designated for Endowment. The changes in endowment net assets for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Board-designated endowment net assets, beginning of year	\$ 66,960	\$ 59,489
Contributions	150	-
Net unrealized/realized gain (loss)	3,048	6,166
Interest	1,076	1,624
Fees	<u>(335)</u>	<u>(319)</u>
Board-designated endowment net assets, end of year	<u>\$ 70,899</u>	<u>\$ 66,960</u>

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(4) Property and Equipment

Property and equipment consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 553,526	\$ 553,526
Office equipment, furniture and fixtures	<u>42,351</u>	<u>31,867</u>
Total property and equipment	595,877	585,393
Less: Accumulated depreciation	<u>(120,195)</u>	<u>(102,863)</u>
Property and equipment, net	<u>\$ 475,682</u>	<u>\$ 482,530</u>

Total depreciation expense for the years ended December 31, 2020 and 2019 was \$17,332 and \$15,623, respectively.

(5) Note Payable

On May 3, 2020, the Organization entered into an interest-bearing note agreement in the amount of \$5,908 to finance insurance premiums. The note will require ten monthly installments of \$622 bearing an interest rate of 11.4%. On June 3, 2020, the Organization entered into an interest-bearing note agreement in the amount of \$7,929 to finance insurance premiums. The note will require nine monthly installments of \$923 bearing an interest rate of 11.4%. On May 3, 2019, the Organization entered into an interest-bearing note agreement in the amount of \$13,354 to finance insurance premiums. The note will require ten monthly installments of \$1,404 bearing an interest rate of 11.0%. At December 31, 2020 and 2019, the amount outstanding on the note payable was \$6,038 and \$4,136, respectively. Interest expense amounted to \$607 and \$665 for the years ended December 31, 2020 and 2019, respectively.

(6) Retirement Plan

The Organization provides their employees the opportunity to participate in a "Simple IRA" retirement plan. All eligible employees who work full time or over 30 hours per week may contribute from one percent (1%) of their gross pay upward. The Organization matches the employees' contribution up to two percent (2%) of gross pay. Contributions made for the years ended December 31, 2020 and 2019 totaled \$1,445 and \$2,252, respectively.

(7) Operating Leases

The Organization leases copiers under operating leases expiring at various dates through 2024. Total lease expense for the years ended December 31, 2020 and 2019 for copier leases totaled \$7,880 and \$6,327, respectively.

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements (Continued)

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

Years Ending December 31,	Amount
2021	6,840
2022	6,840
2023	6,840
2024	1,140
Total	\$ 21,660

(8) Concentration of Credit Risk

The Organization maintains cash balances at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 and 2019, the Organization's had unsecured cash balances of \$101,779 and \$42,947, respectively.

(9) Commitments and Contingencies

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

(10) Risk Management

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

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

The schedule of compensation, benefits and other payments to Kimberly Young, Executive Director, for the year ended December 31, 2020 follows:

Purpose	Amount
Salary	\$ 85,695
Benefits - insurance	9,750
Benefits - retirement	1,500
Travel	55

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(12) New Accounting Pronouncement

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

(13) Subsequent Event Review

- A. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may have and may continue to impact the Organization's ongoing operations. The extent and severity of the potential impact on future operations is unknown at this time.
- B. The Organization's management has evaluated subsequent events through June 28, 2021, the date which the financial statements were available to be issued.

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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Victor R. Slaven, CPA* - retired 2020

* A Professional Accounting Corporation

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 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 June 28, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
June 28, 2021

HEARTS OF HOPE
Lafayette, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2020

Part I. Current Year Findings and Management's Corrective Action Plan

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

2020-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2019

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

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

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

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

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

MANAGEMENT'S CORRECTION ACTION PLAN: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Part II. Prior Year Findings

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

2019-001 Inadequate Segregation of Accounting Functions

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

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

CURRENT STATUS: Unresolved. See finding 2020-001.