

FAMILIES HELPING FAMILIES
OF SOUTHEAST LOUISIANA, INC.
NEW ORLEANS, LOUISIANA
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2022



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
New Orleans, Louisiana

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Families Helping Families of Southeast Louisiana, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of Families Helping Families of Southeast Louisiana, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the Louisiana Governmental Audit Guide, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Families Helping Families of Southeast Louisiana, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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 Families Helping Families of Southeast Louisiana, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
New Orleans, Louisiana

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, the Louisiana Governmental Audit Guide, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Families Helping Families of Southeast Louisiana, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Families Helping Families of Southeast Louisiana, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
New Orleans, Louisiana

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of Families Helping Families of Southeast Louisiana, Inc. as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute 24:513 A.(3), is presented for the 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 March 30, 2023, on our consideration of Families Helping Families of Southeast Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Families Helping Families of Southeast Louisiana, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Families Helping Families of Southeast Louisiana, Inc.'s internal control over financial reporting and compliance.

New Orleans, Louisiana
March 30, 2023

Ericksen Krentel, LLP
Certified Public Accountants

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 69,470	\$ 36,262
Contract receivables	18,859	15,952
Employee receivables	<u>7,368</u>	<u>7,056</u>
Total current assets	<u>95,697</u>	<u>59,270</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>298</u>	<u>575</u>
<u>OTHER ASSETS</u>	<u>1,387</u>	<u>1,232</u>
Total assets	<u><u>\$ 97,382</u></u>	<u><u>\$ 61,077</u></u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 6,656	\$ 7,051
Accrued expenses	29,479	12,557
Current portion of line of credit	<u>73,016</u>	<u>-</u>
Total current liabilities	<u>109,151</u>	<u>19,608</u>
<u>LONG-TERM LIABILITIES:</u>		
Line of credit	-	73,384
Long-term debt, net of current portion	<u>106,000</u>	<u>106,000</u>
Total long-term liabilities	<u>106,000</u>	<u>179,384</u>
Total liabilities	215,151	198,992
<u>NET ASSETS (DEFICIT):</u>		
Net assets (deficit) without donor restriction	<u>(117,769)</u>	<u>(137,915)</u>
Total net assets (deficit)	<u>(117,769)</u>	<u>(137,915)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 97,382</u></u>	<u><u>\$ 61,077</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>REVENUES AND OTHER SUPPORT</u>		
Grant revenues	\$ 270,101	\$ 265,474
Contract revenues	292,092	166,795
Contributions and donations	30,688	30,688
Other income	<u>1</u>	<u>48,244</u>
 Total revenue and other support	 <u>592,882</u>	 <u>511,201</u>
<u>EXPENSES:</u>		
Program services:		
Information and education	429,553	438,767
Supporting services:		
Management and general	85,911	87,754
Fundraising	<u>57,272</u>	<u>58,503</u>
 Total expenses	 <u>572,736</u>	 <u>585,024</u>
<u>CHANGE IN NET ASSETS</u>	20,146	(73,823)
Net assets (deficit) without donor restrictions - beginning	<u>(137,915)</u>	<u>(64,092)</u>
Net assets (deficit) without donor restrictions - ending	<u>\$ (117,769)</u>	<u>\$ (137,915)</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING</u>		
<u>ACTIVITIES:</u>		
Change in net assets	\$ 20,146	\$ (73,823)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	277	277
Forgiveness of PPP loan	-	(48,240)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Contract receivables	(2,907)	(15,952)
Other receivables	(312)	(547)
Other assets	(155)	-
Increase (decrease) in:		
Accounts payable	(395)	6,354
Accrued payroll liabilities	16,922	11,185
	<u>33,576</u>	<u>(120,746)</u>
Net cash from (used for) operating activities	<u>33,576</u>	<u>(120,746)</u>
<u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u>		
Net advances (repayments) on line of credit	<u>(368)</u>	<u>10,886</u>
Net cash from (used for) financing activities	<u>(368)</u>	<u>10,886</u>
Net increase (decrease) in cash and cash equivalents	33,208	(109,860)
Cash and cash equivalents, beginning of year	<u>36,262</u>	<u>146,122</u>
Cash and cash equivalents, end of year	<u>\$ 69,470</u>	<u>\$ 36,262</u>
<u>SUPPLEMENTAL CASH FLOW DISCLOSURES</u>		
Cash payments for interest	<u>\$ 4,085</u>	<u>\$ 6,514</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		
	Information and Education	Management and General	Fundraising	Total
Expenses:				
Personnel costs	\$ 251,722	\$ 50,344	\$ 33,563	\$ 335,629
Contract services	93,391	18,678	12,452	124,521
Program supplies	8,925	1,785	1,190	11,900
Travel, meetings, & conferences	3,311	662	441	4,414
Interest expense	5,310	1,062	708	7,080
Insurance	785	157	104	1,046
Occupancy and office supplies	55,313	11,063	7,375	73,751
Depreciation	207	42	28	277
Other expense	<u>10,589</u>	<u>2,118</u>	<u>1,411</u>	<u>14,118</u>
 Total functional expenses	 <u>\$ 429,553</u>	 <u>\$ 85,911</u>	 <u>\$ 57,272</u>	 <u>\$ 572,736</u>

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		
	Information and Education	Management and General	Fundraising	Total
Expenses:				
Personnel costs	\$ 210,783	\$ 42,157	\$ 28,105	\$ 281,045
Contract services	87,325	17,465	11,643	116,433
Program supplies	68,821	13,764	9,176	91,761
Travel, meetings, & conferences	89	18	12	119
Interest expense	7,072	1,414	943	9,429
Insurance	525	105	70	700
Occupancy and office supplies	55,298	11,060	7,373	73,731
Depreciation	207	42	28	277
Other expense	<u>8,647</u>	<u>1,729</u>	<u>1,153</u>	<u>11,529</u>
 Total functional expenses	 <u>\$ 438,767</u>	 <u>\$ 87,754</u>	 <u>\$ 58,503</u>	 <u>\$ 585,024</u>

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Families Helping Families of Southeast Louisiana, Inc., (the Organization) is a non-profit corporation, operating primarily in Orleans and St. Bernard Parishes, organized to provide informational support and educational services to area families who have family members with special needs (disabilities) through a coordinated network of resources, support, and services. The primary sources of revenue are from Federal, State, and public grants.

Method of Accounting and Financial Reporting Framework

Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board.

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, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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

Use of Estimates

In preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Donated Assets and Services

The Organization records noncash donations as contributions at their estimated fair value at the date of donation and are recorded as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes donated services at fair value, if such services are significant in amount, create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment are made with unrestricted assets. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method over a three to ten year period. Additions, improvements, or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Income Taxes

The Organization is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been classified as organizations other than a private foundation under Section 509(a)(2). The Organization's evaluation as of June 30, 2021 revealed no tax positions that would have a material impact on the financial statements. The 2019 through 2021 tax years remain subject to examination by the IRS. The Organization 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.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Advanced payments from grantors for expected contractual services to be performed in a future period are recorded as deferred revenues until the related program functions are performed or services are rendered.

Functional Expense Allocation

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Directly identifiable expenses are charged to programs, management and general, and fundraising. Expenses related to more than one function are charged to programs, management and general, and fundraising on the basis of periodic time and expense studies.

Restricted and Unrestricted Revenue

Contributed support that is restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Private grant revenue is recognized as it is earned in accordance with approved agreements. Grants that contain certain compliance recapture provisions are recognized over the term of the compliance period or at the end of the compliance period, depending on the agreement.

Fee for service income is recognized as performance obligations under the contracts are satisfied. Performance obligations are typically to provide support services to individuals and their families. Management has determined that the performance obligations are recognized over time as the frequency of service is not stipulated in the contracts. Advances under the agreements are recorded as contract liabilities until such time as the performance obligations are met.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – Adopted

During the year ended June 30, 2022, the Organization adopted FASB ASU No. 2020-07, “*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.” This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The adoption of this Update did not have a material impact on the Organization’s financial statements.

Date of Management’s Review

Subsequent events have been evaluated through March 30, 2023, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has financial assets of \$98,583 and \$59,270 as of June 30, 2022 and 2021 respectively. There are no restrictions on these assets as of June 30, 2022 and 2021. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its restricted contributions other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its contributions could be made available if necessary.

(3) CONCENTRATIONS OF CREDIT RISK

From Financial Instruments

The Organization maintains its cash balances in local financial institutions that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization’s cash balances were not in excess of the FDIC insurance as of June 30, 2022 or 2021. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

From Sources of Revenue

The Organization received 34% of its funding from two agencies and 29% of its funding from two grantors during 2022. The Organization received 36% of its funding from two agencies during 2021.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(4) PROPERTY AND EQUIPMENT

As of June 30, 2022 or 2021, property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 12,399	\$ 12,399
Computers	22,258	22,258
Less: accumulated depreciation	<u>(34,359)</u>	<u>(34,082)</u>
Property and equipment, net	<u>\$ 298</u>	<u>\$ 575</u>

Depreciation expense for the years ended June 30, 2022 or 2021 was \$277 and \$277, respectively.

(5) LINE OF CREDIT

The Organization has a line of credit agreement with a financial institution of \$75,000. The balance on the line of credit was \$73,016 and \$73,384 at June 30, 2022 and 2021 respectively. The line bears interest at the Wall Street Journal's prime lending rate plus 2.75%, which equaled 7.50% and 6.00% as of June 30, 2022 and 2021, respectively. The line of credit matures on March 2, 2023.

Interest costs incurred on the line of credit and charged to expense as of June 30, 2022 and 2021 totaled \$4,085 and \$6,514, respectively. Total cash payments for interest were \$4,085 and \$6,514 during the respective years.

(6) LONG-TERM DEBT

In response to the coronavirus (COVID-19) outbreak in 2020, the Small Business Administration (SBA) offered loans to certain organizations and businesses as relief for the economic restrictions caused by the pandemic. The Organization obtained an Economic Injury Disaster Loan (EIDL) of \$106,000 and a loan under the Paycheck Protection Program (PPP) of \$48,240. The PPP loan had a stated interest rate of 1% and a stated maturity date of May 11, 2026; however, the Organization received full forgiveness of the loan during 2021 and recognized \$48,240 into other income. The EIDL loan carries an interest rate of 2.75% and matures on June 27, 2050. The loan requires payments of \$453 monthly, commencing on December 27, 2022, including applicable deferral periods granted by the SBA. There is no penalty for early repayment.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(6) LONG-TERM DEBT (CONTINUED)

The future minimum principal payments under the EIDL loan as of June 30, 2022 for next five fiscal years and thereafter is as follows:

2023	\$	-
2024		-
2025		440
2025		2,565
2026		2,637
Thereafter		<u>100,358</u>
	<u>\$</u>	<u>106,000</u>

Interest costs accrued and charged to expense totaled \$2,995 and \$2,915 during the year ended June 30, 2022 and 2021. No cash payments of interest were made on long-term debt.

(7) CONTRACTS WITH CUSTOMERS

The Organization was established to provide informational support and educational services to area families who have family members with special needs. A substantial portion of the Organization's support and revenue is derived from contracts for the programs conducted. The various contracts are approved on a year-to-year basis. Any unexpended funds or unauthorized expenditures must be refunded. The Organization's contract receivables of \$18,859 and \$15,952 at June 30, 2022 and 2021, respectively, were payments due on these contracts.

Amounts received and receivable from federal and state grantor agencies are subject to audit and adjustment by those agencies, principally the Metropolitan Health Services District, the Louisiana Department of Education and the Louisiana Developmental Disabilities Council. Any disallowed costs, including amounts already reimbursed, may constitute a liability to the Organization. The amount of expenditures, if any, which may be disallowed by the grantors cannot be determined at this time, although the Organization expects any such amounts to be minimal. Any adjustments for disallowed costs would be recognized in the period agreed upon by the grantor agency and the Organization.

A substantial share of contract revenues for services to clients are derived under a state third-party reimbursement program. These revenues are based, in part, on cost reimbursement principles and are subject to adjustments by the respective third-party providers. Retroactive adjustments, if any, are not expect to be material to the financial position or results of operations of the Organization.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021

(8) CONTRIBUTED NONFINANCIAL ASSETS

The Organization received contributed nonfinancial assets as follows for the years ended June 30th:

	<u>2022</u>	<u>2021</u>
Use of office space	\$ <u>30,688</u>	\$ <u>30,688</u>
Total contributions of nonfinancial assets	\$ <u><u>30,688</u></u>	\$ <u><u>30,688</u></u>

The Organization receives office space through the Orleans Parish School Board for use in performing its services. The Organization values the office space based on an estimate of what would be charged for comparable space during the time period.

All contributed nonfinancial assets received by the Organization for the years ended June 30, 2022 and 2021 were considered without donor restrictions and able to be used by the Organization as determined by management.

(9) RELATED PARTY TRANSACTIONS

The Organization has significant receivables from employees, which consist of pay advances. At June 30, 2022 and 2021, employees owed the Organization \$7,368 and \$7,056, respectively.

(10) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, “Leases.” This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, the FASB has issued Update No. 2019-10, “Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842).” The FASB further delayed the implementation date by one year through ASU 2020-05 “Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842).” Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. The Organization plans to adopt this Update as applicable by the effective date.

(11) RECLASSIFICATIONS TO PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY
HEAD
FOR THE YEAR ENDED JUNE 30, 2022

	Executive Director Aisha Johnson
Time served	7/1/2021 through 6/30/2022
Salary	\$ 56,214
Benefits-FICA & Medicare	189
Total compensation, benefits and other payments	\$ 56,403



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
Families Helping Families of Southeast Louisiana, Inc.

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 Families Helping Families of Southeast Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-001, 2022-002, and 2022-003 to be material weaknesses.



To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
March 30, 2023

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2022-004 and 2022-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Families Helping Families of Southeast Louisiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Families Helping Families of Southeast Louisiana, Inc.'s Response to Findings

Families Helping Families of Southeast Louisiana, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Families Helping Families of Southeast Louisiana, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Families Helping Families of Southeast Louisiana, Inc.'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 Families Helping Families of Southeast Louisiana, Inc.'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.

March 30, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The Auditors' report expresses an unmodified opinion on the financial statements of Families Helping Families of Southeast Louisiana, Inc.
2. Three material weaknesses and two significant deficiencies disclosed during the audit of the financial statements are 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. One instance of noncompliance 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 issued for the year ended June 30, 2022.

SECTION II FINANCIAL STATEMENT FINDINGS

2022-001 RECONCILIATION OF BANK ACCOUNTS

Criteria: Reconciliation of cash accounts is a key control over financial statement accuracy.

Condition: During our audit procedures, we noted that bank reconciliations were performed sporadically and inaccurately. By the date of our audit report, no reconciliations had been performed for the 2023 fiscal year.

Effect: Cash accounts were misstated at year end, albeit not by a material amount. The potential effect is that errors and fraud could occur and go undetected if bank statements are not reconciled to control accounts on a regular basis.

Cause: Families Helping Families of Southeast Louisiana, Inc. was not performing regular reconciliations of its accounts.

Recommendation: We recommend that management implement a policy and procedure for monthly bank reconciliations, assign responsibility for this task to a specific individual or team, and ensure that appropriate oversight and review is conducted to ensure completeness and accuracy. Additionally, we recommend that management periodically review the effectiveness of the new policy and procedure to ensure that it is being followed and that adequate controls are in place to prevent future lapses in bank reconciliation procedures.

Management's Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

2022-002 LACK OF ADEQUATE SUPPORTING DOCUMENTATION

Criteria: Adequate internal controls should include maintaining sufficient records (invoices, receipts, grant documents, contracts, agreements, etc.) to support the transactions underlying the related financial statement amounts.

Condition: During our revenue and expense testing we noted instances where supporting documentation, which include invoices and grant documents, was not available for review for certain transactions or were difficult to obtain.

Effect: The lack of adequate internal controls to maintain sufficient supporting documentation creates an environment where financial statement amounts can easily be materially misstated.

Cause: Entries to the accounting software lack sufficient detail to determine the appropriate support and supporting documentation is not stored in a secure and readily accessible filing system.

Recommendation: Orderly filing should be maintained to ensure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc. We recommend implementation of an online “cloud” based filing system with a trusted service provider.

Management’s Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation. See Management’s Corrective Action Plan for further information.

2022-003 REVENUE RECOGNITION AND RECEIVABLE TRACKING

Criteria: Under Generally Accepted Accounting Principles, organizations are required to record and report all receivables accurately and completely.

Condition: During our audit, we identified that the Organization does not record a receivable when sending invoices for work performed.

Effect: Receivables were not tracked and reported correctly throughout the year. We noted several invoices that were not paid by the agency to whom the Organization sent them. Management believed all invoices had been paid, and controls over collections were not operating effectively. This resulted in the Organization not being paid for work performed under its contracts.

Cause: We identified that the accounting function had poor accounting practices and inadequate procedures and controls for recording and collecting receivables. Specifically, there were no formal policies or procedures in place for monitoring and collecting receivables, and there was no designated individual responsible for tracking and reconciling receivables.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Recommendation: We recommend that the Organization implement a formal policy and procedure for recording and collecting receivables, assign responsibility to a specific individual or team for monitoring and reconciling receivables on a regular basis, and ensure that appropriate oversight and review is conducted to ensure completeness and accuracy. Additionally, we recommend that management periodically review the effectiveness of the new policy and procedure to ensure that it is being followed and that adequate controls are in place to prevent future lapses in receivable recording and collection. By doing so, the Organization can ensure that their financial statements accurately reflect the total amount of revenues earned by the Organization.

Management's Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

2022-004 EMPLOYEE RECEIVABLES

Criteria: Under Generally Accepted Accounting Principles, organizations are required to record and report all liabilities and receivables accurately and completely.

Condition: During our audit, we identified that the organization did not have adequate procedures and controls to track and record employee receivables.

Effect: As a result of inadequate tracking and recording of employee receivables, there is a risk that the financial statements may not accurately reflect the total amount owed to employees, which could lead to inaccurate financial reporting and potential mismanagement of funds.

Cause: We identified that the accounting function lacked appropriate procedures and controls for tracking and recording employee receivables. Specifically, we observed that there were no formal policies or procedures in place for tracking employee receivables, and there was no designated individual responsible for monitoring and reconciling employee receivables.

Recommendation: We recommend that management implement a formal policy and procedure for tracking and recording employee receivables. This should include assigning responsibility to a specific individual or team for monitoring and reconciling employee receivables on a regular basis. Additionally, due to the Organization's cash flow issues we recommend that the Board of Directors approve all employee loans and that signed promissory notes be included in each employee's file who has a pay advance from the Organization.

Management's Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

2022-005 SOCIAL SECURITY AND MEDICARE TAXES

Criteria: Organizations are required to properly report and remit all payroll taxes to the relevant tax authorities.

Condition: During our audit procedures over payroll, we identified that the organization did not pay payroll taxes for the entire year on an employee's salary.

Effect: As a result of not paying payroll taxes, the organization may face significant penalties and legal consequences from tax authorities, which could result in damage to the organization's financial health.

Cause: We identified that the accounting function lacked appropriate procedures and controls for monitoring and remitting payroll taxes.

Recommendation: We recommend that management immediately correct the payroll tax issue by paying all outstanding taxes and associated penalties and interest. Additionally, we recommend that management implement a formal policy and procedure for monitoring and remitting payroll taxes, assign responsibility to a specific individual or team for ensuring compliance with payroll tax requirements, and periodically review the effectiveness of the new policy and procedure to ensure that it is being followed and that adequate controls are in place to prevent future lapses in payroll tax remittance.

Management's Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

2022-006 NON-COMPLIANCE WITH LOUISIANA'S FINANCIAL REPORTING LAWS

Criteria: The Organization is required to provide an annual financial report to the Louisiana Legislative Auditor no later than six months after its year end.

Condition: The Organization failed to comply with these laws, submitting the required report approximately 3 months after the required deadline.

Effect: The Organization is not in compliance with Louisiana Revised Statutes 24:513 and 24:514.

Cause: The Organization did not have the proper procedures in place to ensure compliance with these laws.

Recommendation: The Board of Directors should put policies and procedures in place to ensure that required annual reports are filed in a timely manner.

Management's Response: See Management's Corrective Action Plan for their response.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

**2021-001 RECONCILIATION OF STATEMENT OF FINANCIAL POSITION
ACCOUNTS**

During our audit procedures, we noted that beginning balances did not roll from the prior audit period, which caused balances in asset and liability accounts to differ from actual. We additionally noted several accruals that were not recorded at year end.

This issue has not been resolved and has been repeated as a finding for 2022.

2021-002 LACK OF ADEQUATE SUPPORTING DOCUMENTATION

During our revenue and expense testing we noted instances where supporting documentation, which include invoices and grant documents, was not available for review for certain transactions.

This issue has not been resolved and has been repeated as a finding for 2022.

2021-003 Non-Compliance with Louisiana's Financial Reporting Laws

The Organization failed to comply with audit law, submitting the required report approximately 14 months after the required deadline.

This issue has not been resolved and has been repeated as a finding for 2022.

SECTION II MANAGEMENT LETTER

2021-004 Timeliness of Bank Reconciliation

Our review of June 30, 2021 bank reconciliations revealed that bank reconciliations were performed two to four months after year end.

This issue has not been resolved and has been escalated to a finding for 2022.

2021-005 Consider Alternative Financing Options

During the audit, we noted that the Organization was at or near the limit on its line of credit for much of the year.

This issue has not been resolved and has been repeated as a management letter item for 2022.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II MANAGEMENT LETTER (CONTINUED)

2021-006 Cash Management

We noted overdraft fees being charged to the Organization's bank account during the fiscal year. Many of the fees were due to payroll being drafted from an account with insufficient funds.

This issue has not been resolved and has been repeated as a management letter item for 2022.

2021-007 Automated Fraud Detection and Prevention

We noted through discussions with management that immaterial fraud occurred during the year and the Organization was late in reporting it to the bank.

This condition was not noted in 2022 and therefore the management letter item was not repeated.

2021-008 Update Accounting Policies and Procedures

The Louisiana Legislative Auditor has published best practices and guides for auditee's accounting policies and procedures. Our review of written policies and procedures revealed that many of the best practice areas were not currently covered by the Organization.

This issue has been resolved through the updating of the Organization's policies and procedures.

2021-009 General Ledger Documentation

We recommend management review its use of Quickbooks and enforce the use of clear descriptions and entries.

This issue has not been resolved and has been repeated as a management letter item for 2022.

2021-010 Employee Receivables

The Organization has outstanding employee receivables as of June 30, 2021 and is not in a position to lend funds to employees.

This issue has not been resolved and further issues were noted in the 2022 audit. Therefore the comment has been escalated to a finding for 2022.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II MANAGEMENT LETTER (CONTINUED)

2021-011 Classification of Revenues

The Organization's primary revenue sources are grants, contracts, and contributions. We noted some variability in how each were classified within the general ledger.

This issue has not been resolved and further issues were noted in the 2022 audit. Therefore the comment has been escalated to a finding for 2022.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

March 30, 2023

Michael J. Waguespack, CPA
Louisiana Legislative Auditor

Families Helping Families of Southeast Louisiana, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: James E. Tonglet

Audit Period: 7/1/2021 to 6/30/2022

The findings from the June 30, 2022 schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in schedule of findings and responses

SECTION II FINANCIAL STATEMENT FINDINGS

Material Weaknesses

2022-001 RECONCILIATION OF BANK ACCOUNTS

Recommendation: We recommend that management implement a policy and procedure for monthly bank reconciliations, assign responsibility for this task to a specific individual or team, and ensure that appropriate oversight and review is conducted to ensure completeness and accuracy. Additionally, we recommend that management periodically review the effectiveness of the new policy and procedure to ensure that it is being followed and that adequate controls are in place to prevent future lapses in bank reconciliation procedures.

Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation through the appropriate reconciliation of accounts.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

2022-002 LACK OF ADEQUATE SUPPORTING DOCUMENTATION

Recommendation: Orderly filing should be maintained to ensure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc. We recommend implementation of an online “cloud” based filing system with a trusted service provider.

Response: Management agrees with the recommendation and review its records retention policies and systems to ensure access to appropriate documentation.

2022-003 REVENUE RECOGNITION AND RECEIVABLE TRACKING

Recommendation: We recommend that the Organization implement a formal policy and procedure for recording and collecting receivables, assign responsibility to a specific individual or team for monitoring and reconciling receivables on a regular basis, and ensure that appropriate oversight and review is conducted to ensure completeness and accuracy. Additionally, we recommend that management periodically review the effectiveness of the new policy and procedure to ensure that it is being followed and that adequate controls are in place to prevent future lapses in receivable recording and collection. By doing so, the Organization can ensure that their financial statements accurately reflect the total amount of revenues earned by the Organization..

Response: Management agrees with the recommendation and review its current recording of revenues and receivables and install controls that will enable the Organization to track receivables and ensure collection.

2022-004 EMPLOYEE RECEIVABLES

Recommendation: We recommend that management implement a formal policy and procedure for tracking and recording employee receivables. This should include assigning responsibility to a specific individual or team for monitoring and reconciling employee receivables on a regular basis. Additionally, due to the Organization’s cash flow issues we recommend that the Board of Directors approve all employee loans and that signed promissory notes be included in each employee’s file who has a pay advance from the Organization.

Response: Management has discontinued its pay advance policy going forward and will ensure all remaining advances are repaid in full.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

2022-005 SOCIAL SECURITY AND MEDICARE TAXES

Recommendation: We recommend that management immediately correct the payroll tax issue by paying all outstanding taxes and associated penalties and interest. Additionally, we recommend that management implement a formal policy and procedure for monitoring and remitting payroll taxes, assign responsibility to a specific individual or team for ensuring compliance with payroll tax requirements, and periodically review the effectiveness of the new policy and procedure to ensure that it is being followed and that adequate controls are in place to prevent future lapses in payroll tax remittance.

Response: Management believes the issue to be an isolated incident that has been corrected going-forward. The Organization will amend its 941s and pay the additional taxes owed.

Instance of Non-Compliance

2022-006 Non-Compliance with Louisiana's Financial Reporting Laws

Recommendation: The Board of Directors should put policies and procedures into place to ensure that required annual reports are filed in a timely manner.

Response: Management agrees with the recommendation and will be compliant with its 2022 filing.

If there are any questions regarding this plan, please call the Executive Director, Aisha Johnson, at (504) 943-0343.

Sincerely,


Aisha Johnson (Mar 30, 2023 20:47 CDT)

Signature

Executive Director

Title



MANAGEMENT LETTER

To the Board of Directors of the
Families Helping Families of Southeast Louisiana, Inc.

In planning and performing our audit of the financial statements of Families Helping Families of Southeast Louisiana, Inc. (“the Organization”), as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions concerning these matters. This letter does not affect our report dated March 30, 2023, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various the Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2022-007 Consider Alternative Financing Options

During the audit, we noted that the Organization was at or near the limit on its line of credit for much of the year. Lines of credit are intended for short-term financing and, therefore, carry higher rates of interest than longer-term financing. The line of credit carried a variable 7.5% rate of interest at June 30, 2022, which has increased since year end. Management should perform a study on its capital structure and cash flow to determine the optimal financing structure to support the Organization’s operations. Debt with a fixed interest rate will likely be preferable to carrying a large line of credit balance.



To the Board of Directors of the
Families Helping Families of Southeast Louisiana, Inc.
March 30, 2023
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2022-008 Cash Management

We noted overdraft fees being charged to the Organization's bank account during the fiscal year. Many of the fees were due to payroll being drafted from an account with insufficient funds. Each overdraft results in a \$35 charge, and each payroll check in the periods we reviewed was one overdraft. These overdraft fees can quickly add up and be destructive on the Organization's finances. We recommend the organization set up a payroll sweep account to help manage payroll draws. In order to mitigate the chronic cash shortages, the Organization could consider the following:

- To the extent possible, convert paper checks to electronic payments to further accelerate the flow of customer payments into the Company's bank account.
- Regularly prepare timely and accurate bank reconciliations for management's review.
- Consider arranging for an automatic overdraft facility at the bank to cover checks written and to avoid having checks returned for insufficient funds. Also, consider use of a money market fund or cash management account that has check writing privileges on interest-bearing accounts.
- Maximize cash availability by holding vendor payments the full time allowable, without sacrificing significant vendor discounts.
- Prepare an operating cash budget and use it regularly for seeking opportunities to invest excess cash, as in weekend rollovers, money market accounts, treasury bills, or certificates of deposit.
- Improve collection policies in order to improve cash flow by (a) following up promptly on past-due accounts, (b) referring overdue accounts for collection, (c) offering a one-time-only cash discount, no matter how old the receivable, and (d) exploring the possibility of converting an account receivable into a note receivable, especially one that can be discounted.
- Develop a weekly forecast of cash requirements and receipts projected over the following four-week period, and develop a daily report that summarizes changes in cash position, outstanding accounts receivable and payable, and the borrowing or temporary investment position.

2022-009 General Ledger Documentation

During our audit, we noted that the general ledger was exceedingly difficult to use. Memos, document numbers, and descriptions in the ledger were not accurate to what was being purchased for expenditures and revenue entries often did not contain documentation of the purpose. We recommend management review its use of Quickbooks and enforce the use of clear descriptions and entries.



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of the
Families Helping Families of Southeast Louisiana, Inc.
March 30, 2023
Page 3

This letter is intended solely for the information and use of the Organization and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

March 30, 2023
New Orleans, Louisiana

Erickson Krentel, LLP

Certified Public Accountants

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

March 30, 2023

Michael J. Waguespack, CPA
Louisiana Legislative Auditor

Families Helping Families of Southeast Louisiana, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: James E. Tonglet

Audit Period: 7/1/2021 to 6/30/2022

The recommendations from the March 30, 2023 management letter are discussed below. The recommendations are numbered consistently with the numbers assigned in the management letter.

2022-007 Consider Alternative Financing Options

Recommendation: Management should perform a study on its capital structure and cash flow to determine the optimal financing structure to support the Organization's operations.

Response: Management agrees with the recommendation and will continue to perform on-going reviews of its capital structure.

2022-008 Cash Management

Recommendation: We recommend the organization set up a payroll sweep account to help manage payroll draws. We additionally recommend management consider other ways to improve its cash flow.

Response: Management agrees with the recommendation and will review its procedures to determine the optimal cash flow structure to avoid overdraft or insufficient fund charges.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS (CONTINUED)
JUNE 30, 2022

2022-009 General Ledger Documentation

Recommendation: We recommend management review its use of Quickbooks and enforce the use of clear descriptions and entries.

Response: Management agrees with the recommendation and will review its procedures for entering transactions into Quickbooks Online.

If there are any questions regarding this plan, please call the Executive Director, Aisha Johnson, at (504) 943-0343.

Sincerely,


Aisha Johnson (Mar 30, 2023 20:47 CDT)

Signature

Executive Director

Title