



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.

**AUDITED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	PAGE NO.
Independent Auditor's Report	1-3
Financial Statements:	
Statement of Financial Position as of June 30, 2022	4
Statement of Activities For the Fiscal Year Ended June 30, 2022	5
Statement of Functional Expenses For the Fiscal Year Ended June 30, 2022	6
Statement of Cash Flows For the Fiscal Year Ended June 30, 2022	7
Notes to the Financial Statements	8-15
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>Governmental Auditing Standards</i>	16-17
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	18-20
Summary of Auditor's Results	21
Schedule of Findings and Questioned Costs	22-24
Schedule of Prior Year Findings	25
Supplementary Information	
Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2022	26
Notes to the Schedule of Expenditures of Federal Awards for the Fiscal Year Ended June 30, 2022	27
Schedule of Compensation, Benefits, And Other Payments to Agency Head or Chief Executive Officer For the Fiscal Year Ended June 30, 2022	28
Management's Corrective Action Plan	29



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Healthy School Food Collaborative, Inc.
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Healthy School Food Collaborative, Inc. (a nonprofit organization) (HSFC), 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HSFC as of June 30, 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 HSFC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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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 HSFC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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 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, 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 HSFC'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 HSFC'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer* is required by Louisiana Revised Statute 24:513(A)(3) and is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying *Schedule of Expenditures of Federal Awards*, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 May 16, 2023 on our consideration of HSFC'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the HSFC's internal control over financial reporting and compliance.



Luther Speight & Company CPAs
New Orleans, Louisiana
May 16, 2023

The Healthy School Food Collaborative, Inc.
Statement of Financial Position
As of June 30, 2022

ASSETS

Cash and Cash Equivalents	\$ 23,635
Investments	1,162,238
Grants Receivable	325,146
Due from Related Entity	32,664
Property and Equipment, Net	1,410,333
TOTAL ASSETS	<u><u>\$ 2,954,016</u></u>

LIABILITIES

Accounts Payable	\$ 726,165
Line of Credit	250,000
Notes Payable	482,071
TOTAL LIABILITIES	<u><u>1,458,236</u></u>

NET ASSETS

Without Donor Restrictions	1,495,780
TOTAL NET ASSETS	<u><u>1,495,780</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,954,016</u></u>

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

The Healthy School Food Collaborative, Inc.
Statement of Activities
For the Year Ended June 30, 2022

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government Grants and Contracts	\$ 2,291,428	\$ -	\$ 2,291,428
TOTAL SUPPORT AND REVENUE	<u>2,291,428</u>	<u>-</u>	<u>2,291,428</u>
 EXPENSES			
Program Services	1,955,618	-	1,955,618
Management and General	1,139,765	-	1,139,765
TOTAL EXPENSES	<u>3,095,383</u>	<u>-</u>	<u>3,095,383</u>
 Change in Net Assets	 (803,955)	 -	 (803,955)
 NET ASSETS, BEGINNING OF YEAR	 <u>2,299,735</u>	 <u>-</u>	 <u>2,299,735</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,495,780</u>	 <u>\$ -</u>	 <u>\$ 1,495,780</u>

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

The Healthy School Food Collaborative, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
CACFP Meal Costs	\$ 309,280	\$ -	\$ 309,280
SFSP Meal Costs	1,602,784	-	1,602,784
Contract Services	24,135	1,734	25,869
Payroll Expenses	-	579,735	579,735
Payroll Tax Expenses	-	44,324	44,324
Payroll Service Fees	-	2,783	2,783
Rent Expenses	-	106,400	106,400
Legal & Professional Fees	9,750	32,608	42,358
Insurance	-	40,413	40,413
Advertising	3,605	280	3,885
Interest and Bank Charges	12	590	602
Dues & Subscriptions	250	4,495	4,745
Office Expenses	1,332	8,689	10,021
Other Expenses	4,470	1,279	5,749
Net Depreciation on Investments	-	280,964	280,964
Total Expenses			
Before Depreciation	1,955,618	1,104,294	3,059,912
Depreciation	-	35,471	35,471
Total Expenses	<u>\$ 1,955,618</u>	<u>\$ 1,139,765</u>	<u>\$ 3,095,383</u>

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

The Healthy School Food Collaborative, Inc.
Statement of Cashflows
For the Year Ended June 30, 2022

Cash Flows from Operating Activities

Change in Net Assets	\$	(803,955)
Adjustments to Reconcile Change in Net Assets to		
Net Cash (Used) Provided by Operating Activities:		
Depreciation		35,471
Depreciation on Investments, Net		280,964
Net Changes in Assets and Liabilities:		
Decrease in Grants Receivables		53,873
Increase in Due From Related Party		(32,664)
Increase in Accounts Payable		411,155
Decrease in Due To Related Party		(18,008)
Total Adjustments		730,791
Net Cash Used by Operating Activities		(73,164)

Cash Flows from Investing Activities

Purchase of Property and Equipment		(1,440,636)
Purchase of Investments		(1,443,202)
Net Cash Used by Investing Activities		(2,883,838)

Cash Flows from Financing Activities

Borrowings of Line of Credit, Net		250,000
Borrowings of Note Payable, Net		482,071
Net Cash Provided by Financing Activities		732,071

Net Change in Cash and Cash Equivalents		(2,224,931)
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Cash and Cash Equivalents - Beginning of Period		2,248,566
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Cash and Cash Equivalents - End of Period	\$	23,635
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The accompanying notes are an integral part of these financial statements.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Healthy School Food Collaborative, Inc. (the Organization) is a Louisiana non-profit corporation organized to reduce childhood obesity by providing students, families, and communities access to nutritious and affordable food sources, sustainable, healthy meal choices, and by promoting the development of lifelong healthy dietary and living behaviors. To achieve these goals, the Organization partners with charter schools, private schools and other non-profit organizations. The Organization is exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the Organization classifies resources for accounting and reporting purposes into two net asset categories which are with donor restrictions and without donor restrictions. A description of these two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Organization are included in this category. The Organization has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Organization and therefore, their policy is to record those net assets as without donor restrictions.
- Net assets with donor restrictions include funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. 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

At June 30, 2022, the Organization had no net assets with donor restrictions.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. The fair values of all securities with readily determinable fair values are based on quoted market prices. Gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions. See Note 7 – Fair Value Measurements for further discussion.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated property and equipment is similarly capitalized. The Organization’s threshold for capitalization is \$5,000. Depreciation is computed using the straight-line method for financial reporting purposes over the following estimated useful lives:

Leasehold Improvements	15 years
Machinery & Equipment	10 years
Vehicles	7 years

Concentration of Credit

The Organization maintains cash accounts with one commercial bank. At June 30, 2022, the balance did not exceeded the federal insured amount of \$250,000.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on the time spent on each program.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)3 of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally for three years after they were filed.

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions.

A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Unconditional contributions, or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor, are recorded as revenue with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions are recognized when the barriers to entitlement are overcome and the promises become unconditional. Unconditional contributions are recognized as revenue when received. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

Asset Category	
Vehicles	\$ 610,085
Leasehold Improvements	5,264
Construction in Progress	830,686
Subtotal	1,446,035
Accumulated Depreciation	(35,702)
Net Property and Equipment	\$1,410,333

For the year ended June 30, 2022 depreciation expense was \$35,471.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash and Cash Equivalents	\$ 23,635
Investments	1,162,238
Grants Receivable	325,146
Due from Related Entity	32,664
	\$ 1,543,683

NOTE 4 – ECONOMIC DEPENDENCY

During the fiscal year ended June 30, 2022, 83% of total support and revenue was received from the Summer Food Service Program. The grant amounts are appropriated each year by federal and state governments. If significant budget cuts are made at the federal, state and/or local level, the amount of funds the Organization receives could be reduced significantly and could have an adverse impact on its operations. Revenue for the year ended June 30, 2022 is as follows:

Summer Food Service Program (SFSP)	\$ 1,912,002
Child and Adult Care Food Program (CACFP)	379,425
Total Revenue	\$ 2,291,427

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – FEDERAL COMPLIANCE CONTINGENCIES

The Organization receives all of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable cost. Management is of the opinion that no material liability will result from such audits.

NOTE 6 – RELATED PARTY TRANSACTIONS

The project management for the Organization's operations were previously provided by a related entity. This for-profit entity is owned and controlled by the Organization's CEO. During the year ended June 30, 2022, the related organization no longer provides project management services. However, on occasion, the organizations pay each others invoices when the same vendor is being used. During the year ended June 30, 2022, the Organization had \$6,697 in invoices paid by the related organization. In addition, the Organization paid for \$57,369 in invoices for the related organization. As of June 30, 2022, the Organization has a Due From balance totaling \$32,664 from the related organization.

NOTE 7 – FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the Fair Value Measurements and Disclosures topic of the Codification, the Organization groups assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for identical instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

- Mutual Funds – These investments are public investment vehicles valued using the net asset value (“NAV”) provided by the administrator of the investment. NAV is based on the value of the underlying assets owned by the Organization, minus its liabilities, and then divided by the number of shares outstanding. NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.
- Exchange Traded Funds – These accounts are valued based on quoted prices in active markets (e.g., New York Stock Exchange) for identical assets or liabilities and closing prices used to value mutual funds and publicly traded stocks and are classified within Level 1 of the valuation hierarchy.

The Organization believes its valuation methods are appropriate and consistent with those of other market participants; however, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables summarize investments measured at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 532,436	\$ -	\$ -	\$ 532,436
Exchange-Traded Funds	629,802	-	-	629,802
Total	<u>\$ 1,162,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,162,238</u>

HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – NOTE PAYABLE

During the year ended June 30, 2022, the Organization financed the purchase of trucks through a financial institution and an automotive finance company. The amount financed with the financial institution was a total of \$396,614 for six trucks. Payments of principal and interest totaling \$1,119 are due each month. The amount financed with the automotive finance company was \$93,471. Payments of principal and interest totaling \$1,300 are due monthly. Future maturities of notes payable are as follows:

June 30,	Amount
2023	\$ 72,933
2024	78,132
2025	83,704
2026	89,673
2027	94,191
Thereafter	63,438
Total	<u>\$ 482,071</u>

Total interest expense incurred for the year ended June 30, 2022 was \$585.

NOTE 9 – LINE OF CREDIT

The Organization obtained a revolving line of credit from a financial institution. The total amount available to borrow is \$750,000 with a floating interest rate based on the one-month LIBOR rate (7.89% at June 30, 2022). The amount outstanding at June 30, 2022 was \$250,000.

NOTE 10 – EXPANSION OF OPERATIONS

During the year ended June 30, 2022, the Organization started a \$4.6 million expansion project. The Organization will expand operations at its facility located in St. Tammany Parish, Louisiana. The expansion will allow the Organization to reach additional markets throughout Louisiana and neighboring states with an array of services ranging from National School Lunch Program consulting and nutrition counseling to food co-packing and meal delivery logistics. The project will be divided into three phases: the addition of a commercial kitchen in year one, the expansion of existing cold storage and USDA food manufacturing facilities in years two and three; and the development of a new HSFC Research and Development Culinary Lab, a hybrid food services start-up incubator and food co-packing and co-manufacturing space.

HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – EXPANSION OF OPERATIONS (CONTINUED)

Costs incurred in expanding the facility are being recorded in Construction in Progress. As of June 30, 2022, the Construction in Progress balance totaled \$830,686. The facility is expected to start operations during the year ended June 30, 2023.

NOTE 11 – COVID-19 GLOBAL PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread across multiple countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions to the Organization's operations and the ability for the Organization's employees to perform their tasks. During the year ended June 30, 2022, there were no significant impacts from COVID-19.

NOTE 12 – SUBSEQUENT EVENTS

Management of the Organization has evaluated all subsequent events through May 16, 2023, the date the financial statements were available to be issued. No subsequent events were evaluated for inclusion in the financial statements past this date and there are no additional disclosures considered necessary.



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

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

To the Board of Directors of
The Healthy School Food Collaborative, Inc.
New Orleans, 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 The Healthy School Food Collaborative, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 an 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.

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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding #2022-002 that we consider to be a significant deficiency.

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Report on 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding #2022-001.

Healthy School Food Collaborative Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization'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 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 suitable for any other purpose.



Luther Speight & Company CPAs
New Orleans, Louisiana
May 16, 2023



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To the Board of Directors of
The Healthy School Food Collaborative, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Healthy School Food Collaborative, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding #2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Luther Speight & Company CPAs
New Orleans, Louisiana
May 16, 2023

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
Summary of Auditor's Results
June 30, 2022

PART I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified
not considered to be material weaknesses? X yes _____ no

Noncompliance material to financial statements noted? X yes _____ no

Federal Awards

Internal control over major programs:

Material weakness (es) identified? _____ yes X no

Significant deficiency(s) identified
not considered to be material weaknesses? _____ yes X no

An unqualified opinion was issued on compliance.

Any audit findings disclosed that are required to be
reported in accordance with the Uniform
Guidance? _____ yes X no

The major program for the year ended June 30, 2022 were as follows:

1. Summer Food Service Program – Assistance Listing # 10.559

Dollar threshold used to distinguish between Type A and
Type B programs:

\$750,000

Auditee did not qualify as a low-risk auditee.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
Schedule of Findings and Questioned Costs
June 30, 2022

PART II – FINANCIAL STATEMENT FINDINGS

**FINDING #2022-001 – TIMELY SUBMISSION OF ANNUAL AUDIT REPORT
(NONCOMPLIANCE)**

CRITERIA:

Louisiana state statute 2:511 – 2:559, Louisiana Audit Law, states that quasi-public entities with more than \$500,000 in revenue must submit their audited annual financial reports to the Louisiana Legislative Auditor within six (6) months of the close of the auditee’s fiscal year.

CONDITION:

The Organization did not remit the annual audited financial statements to the Louisiana Legislative Auditor within six months of their year-end. A non-emergency extension for filing the audit report was granted by the Legislative Auditor. The non-emergency extension requires a late audit finding be included in the report.

CAUSE:

The Organization had delays in providing key data for the audit and Statewide Agreed-Upon procedures that contributed to the late submission of the Organization’s audit report.

EFFECT:

The Organization was not in compliance with certain provisions of the Louisiana Audit Law referenced above regarding timely submissions.

RECOMMENDATION:

The Organization should implement policies and procedures to ensure timely filing of any and all required reports.

MANAGEMENT RESPONSE:

See management’s Corrective Action Plan starting on page 27.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
Schedule of Findings and Questioned Costs
June 30, 2022

FINDING #2022-002 – FIXED ASSET RECONCILIATION PROCEDURES NOT ADEQUATE (SIGNIFICANT DEFICIENCY)

CRITERIA:

Generally accepted accounting principles and nonprofit accounting best practices require that reconciliations be performed monthly for all general ledger accounts as part of an organization's month-end close process. In addition, Louisiana Revised Statute 24:515.B.1 states that every auditee subject to examination and audit shall maintain records of all land, buildings, improvements, equipment, and any other general fixed assets which were purchased or otherwise acquired. The records shall include information as to the date of purchase of such property and equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed of. These records shall be made available when the audit is conducted by a certified public accountant.

CONDITION:

During our review of the Organization's fixed assets, we noted the following:

- The Organization did not prepare a fixed asset depreciation schedule detailing all fixed assets that were capitalized during the year ended June 30, 2022.
- The Organization did not record depreciation expense for the year ended June 30, 2022, resulting in an audit adjustment of \$35,471.
- The Organization had not set up a Construction in Progress account for a significant fixed asset project with an estimated completion date of June 2023. This resulted in a reclassification entry totaling \$830,686.

CAUSE:

The Organization's month end closing procedures for fixed assets did not include complete reconciliation of the subsidiary ledgers to the general ledger accounts.

EFFECT:

Although the depreciation expense audit adjustment was ultimately recorded, the accuracy of the Organization's interim financial reporting may have been impaired.

RECOMMENDATION:

The Organization should prepare a fixed asset depreciation schedule and construction in progress project schedule and reconcile these to the general ledger on a monthly basis. In addition, depreciation expense should be recorded on a monthly basis.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
Schedule of Findings and Questioned Costs
June 30, 2022

FINDING #2022-002 – FIXED ASSET RECONCILIATION PROCEDURES NOT ADEQUATE (SIGNIFICANT DEFICIENCY) - CONTINUED

MANAGEMENT RESPONSE:

See management's Corrective Action Plan starting on page 27.

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NO. 2022-003: TIMELY SUBMISSION OF FEDERAL AUDIT CLEARINGHOUSE FILING (NON-COMPLIANCE)

CRITERIA:

2 CFR requires that non-Federal entities that expend \$750,000 or more in a year in Federal awards must submit their audited annual financial reports and the data collection form to the Federal Audit Clearinghouse within thirty (30) days after receipt of the auditor's report, or nine (9) months of the close of the auditee's fiscal year.

CONDITION:

The Organization did not remit the annual audited financial statements and the data collection form to the Federal Audit Clearinghouse within 9 months after year-end as required by the Uniform Guidance.

CAUSE:

The Organization had delays in providing key data for the audit and that contributed to the late submission of the Organization's audit report.

EFFECT:

Late submission causes the Organization to be put on the non-compliance list and can result in withholding of federal pass-through funding.

RECOMMENDATION:

The Organization should implement policies and procedures to ensure timely filing of any and all required reports.

MANAGEMENT RESPONSE:

See management's Corrective Action Plan starting on page 27.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
Schedule of Prior Year Findings
June 30, 2022

Finding #	Description	Resolved/Unresolved?
2021-001	TIMELY SUBMISSION OF ANNUAL AUDIT REPORT (NONCOMPLIANCE)	Unresolved

The Healthy School Food Collaborative, Inc.
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2022

<u>Federal Grantor</u>	<u>Pass-through Grantor</u>	<u>Assistance Listing Number</u>	<u>Program Title</u>	<u>Project/Pass-through Identifying Number</u>	<u>Award Expenditures</u>	<u>Amounts Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
			State of Louisiana Department of Education				
		10.558	Child and Adult Care Food Program	12-3539-0-1-605	\$ 316,662	-	\$ 316,662
		10.559	Child Nutrition Cluster - Summer Food Service Program	12-3539-0-1-605	1,609,059	-	1,609,059
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>					<u>1,925,721</u>	<u>-</u>	<u>1,925,721</u>
TOTAL FEDERAL EXPENDITURES					<u>\$ 1,925,721</u>	<u>\$ -</u>	<u>\$ 1,925,721</u>

See accompanying notes to the schedule of expenditures of federal awards.

THE HEALTHY SCHOOL FOOD COLLABORATIVE, INC.
Notes to Schedule of Expenditure of Federal Awards
For the Fiscal Year Ended June 30, 2022

NOTE 1 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – PRESENTATION

The accompanying schedule of expenditures of federal awards covers the fiscal year ended June 30, 2022.

NOTE 3 – INDIRECT COST RATE

The Organization has not elected to use the ten percent (10%) indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – LOAN AND LOAN GUARANTEES

The Organization did not expend federal awards related to loans or loan guarantees during the year ended June 30, 2022.

NOTE 5 – FEDERALLY FUNDED INSURANCE

The Organization has no federally funded insurance.

NOTE 6 – NONCASH ASSISTANCE

The Organization did not receive any federal non-cash assistance for the year ended June 30, 2022.

**The Healthy School Food Collaborative, Inc.
Schedule of Compensation, Benefits, and Other Payments
to Agency Head or Chief Executive Officer
For the Fiscal Year Ended June 30, 2022**

Agency Head Name and Title: James Graham, Executive Director

Purpose	Amount
Salary	\$ 104,557
Benefits-FICA	7,999
Benefits-insurance	-
Benefits-retirement	-
Benefits-executive parking	-
Car allowance	-
vehicle provided by government	-
*Contract Services	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$ 112,556</u>



MANAGEMENT'S CORRECTIVE ACTION PLAN

Contact Person Responsible: James Graham, Executive Director

2022-001 – TIMELY SUBMISSION OF ANNUAL AUDIT REPORT (NONCOMPLIANCE)

Corrective Action Planned: We will begin the auditing process in a timely fashion going forward and adhere to stricter timelines internally to prevent this from recurring.

Anticipated Completion Date: December 31, 2023

2022-002 – FIXED ASSET RECONCILIATION PROCEDURES NOT ADEQUATE (SIGNIFICANT DEFICIENCY)

Corrective Action Planned: We will add a construction project account to add items and move the costs to fixed assets once the facility is open.

Anticipated Completion Date: June 20, 2023

2022-003 – TIMELY SUBMISSION OF FEDERAL AUDIT CLEARINGHOUSE FILING (NON-COMPLIANCE)

Corrective Action Planned: We will begin the auditing process in a timely fashion going forward and adhere to stricter timelines internally to prevent this from recurring.

Anticipated Completion Date: March 31, 2024



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

HEALTHY SCHOOL FOOD COLLABORATIVE, INC.

AGREED UPON PROCEDURES REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

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

To the Board of Directors of
Healthy School Food Collaborative, Inc
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. Healthy School Food Collaborative's management is responsible for those C/C areas identified in the SAUPs.

Healthy School Food Collaborative, Inc has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

Results: *The written policies and procedures do not address preparing, adopting, monitoring, or amending the budget for the Entity.*

Management Response: *The following will be added to the written policies once approved by the board: The board will review, approve, and monitor the budget prepared by the management. Any amendments to the budget will be reviewed and approved prior to implementation.*

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Results: *The written policies and procedures do not address how purchases are initiated, how vendors are added to the vendor list, how purchases are prepared and approved, how controls are ensured to be in compliance with the public law, or if documentation is required to be maintained for all bids and price quotes.*

Management Response: *The following will be added to the written policies once approved by the board: The Healthy School Food Collaborative will follow all child nutrition program and federal regulations for procurement of goods and services.*

- c) ***Disbursements***, including processing, reviewing, and approving

Results: *The written policies and procedures appropriately address the required elements above.*

- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: *The written policies and procedures do not address any elements of receiving, recording, or preparing deposits. Furthermore, there is no mention of which policies and procedures should include management's actions to determine its completeness for each type of revenue.*

Management Response: *The following will be added to the written policies once approved by the board: Deposits and Disbursements will be reviewed by COO and submitted to CEO for approval. CEO will review deposits and disbursements and approve.*

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Results: *The written policies and procedures appropriately address how employees' time records are reviewed and approved. However, there is no mention of how payroll is processed or how leave and overtime hours are reviewed, recorded, or approved.*

Management Response: *The following will be added to the written policies once approved by the board: COO will prepare and review employees' time records. CEO will review and approve payroll.*

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Results: *No information regarding the types of service requiring written contracts, standard terms and conditions, legal review, approval process or monitoring process was provided.*

Management's Response: *The following will be added to the written policies once approved by the board: The Healthy School Food Collaborative will follow all child nutrition program and federal regulations for procurement of goods and services.*

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Results: *Not applicable, as the Entity does not utilize credit cards, debit cards, fuel cards, or P-cards.*

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Results: Not applicable, as the Entity does not reimburse travel expenses.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Results: Not applicable, as the Entity is a nonprofit.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: Not applicable, as the Entity is a nonprofit.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: No information regarding identification of critical data and frequency of data backups, storage of backups in a separate physical location isolated from the network, periodic testing/verification that backups can be restored, use of antivirus software on all systems, timely application of all available system and software patches/updates, and identification of personnel, processes, and tools needed to recover operations after a critical event noted in Financial Policies and Procedures PBC document.

Management Response: The following will be added to the written policies once approved by the board: All work-related documents must be saved on One Drive in real time. All company laptops will require the use of antivirus software, timely application of all available system and software patches/updates.

- l) **Sexual Harassment**, including R.S.42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: Not applicable, as the Entity is a nonprofit.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: The Board meets every quarter. No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Results: *The Entity reports on the nonprofit accounting model. The Entity's board minutes briefly mention P&L review and approval. However, it does not mention any activity related to public funds.*

Management Response: *The Board discusses and reviews all budgets and actuals during each meeting. The secretary did not go into detail in the minutes.*

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

Results: Not applicable, as the Entity is a non-profit.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Results: *List of bank accounts and management's representation were obtained. We selected the month of June 2022 for the testing below.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Results: *We noted the Entity has two accounts, which include an operating bank account and a brokerage account. The bank reconciliation for the operating bank account includes evidence it was prepared within 2 months of the statement closing date. We noted the brokerage account does not have reconciliations. No exceptions noted.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Results: *The Entity's operating account's reconciliation included proper evidence of management approval. We noted the brokerage account does not have reconciliations. No exceptions noted.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: *We noted that neither statement had any reconciling items that have been outstanding for more than 12 months from the fiscal year-end.*

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Results: Per discussion with management, LSC was notified that Healthy School Food has one collection site, and that the Entity does not handle or collect cash. HSFC receives payments from the state electronically. If there is a rare occurrence the state issues a paper check, the check is deposited at Chase Bank located at 2200 St. Charles Ave. New Orleans, LA 70130. Thus, Collections AUP procedures are not applicable.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Results: Per discussion with management, LSC was notified that Healthy School Food has one collection site, and that the Entity does not handle or collect cash. HSFC receives payments from the state electronically. If there is a rare occurrence the state issues a paper check, the check is deposited at Chase Bank located at 2200 St. Charles Ave. New Orleans, LA 70130. Thus, Collections AUP procedures are not applicable.

- a) Employees responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Results: Per discussion with management, LSC was notified that Healthy School Food has one collection site, and that the Entity does not handle or collect cash. HSFC receives payments from the state electronically. If there is a rare occurrence the state issues a paper check, the check is deposited at Chase Bank located at 2200 St. Charles Ave. New Orleans, LA 70130. Thus, Collections AUP procedures are not applicable.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

***Results:** Per discussion with management, LSC was notified that Healthy School Food has one collection site, and that the Entity does not handle or collect cash. HSFC receives payments from the state electronically. If there is a rare occurrence the state issues a paper check, the check is deposited at Chase Bank located at 2200 St. Charles Ave. New Orleans, LA 70130. Thus, Collections AUP procedures are not applicable.*

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

***Results:** We noted the Entity's payments are processed at 701 Loyola Ave. Suite 403, New Orleans, LA 70113. Management confirmed the listing was complete*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Results: We have obtained a listing of the employees involved and the written policies and procedures relating to employee job duties at the location mentioned above and observed that the job duties are properly segregated between the Chief Operations Officer and the Executive Director.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

Results: We noted the original invoice/billing and all the supportive information matched up, including evidence of segregation of duties with no exceptions.

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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

Results: We noted that Healthy School Food, Inc does not have any Credit Cards. AUP steps regarding Credit Cards are considered not applicable.

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

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: We noted that Healthy School Food, Inc does not have any Credit Cards. AUP steps regarding Credit Cards are considered not applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: We noted that Healthy School Food, Inc does not have any Credit Cards. AUP steps regarding Credit Cards are considered not applicable.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Results: Entity did not have any travel-related expense reimbursements during the fiscal period.

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Results: *We noted that two of the contracts selected were subject to Louisiana Public Bid Law.*

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

Results: *We noted the board reviews and approves all contracts prior to accepting any contract.*

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

Results: *We noted no contract amendments.*

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Results: *No exceptions noted.*

Payroll and Personnel

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

Results: We noted the pay rates of the selected employees' personnel files agreed to the payroll register provided by client.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: We noted the pay rates of the selected employees' personnel files agreed to the payroll register provided by the Entity. In addition, we've verified daily attendance as timesheets were provided. Furthermore, we noted that employees did not accumulate sick/leave hours during the fiscal year.

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

Results: We noted there were no terminations during the fiscal period.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: Management confirms that employer and employee portions of third-party payroll related amounts have been paid and any associated forms have been filed by required deadlines.

Ethics

Results: Not applicable as the Entity is a non-profit.

Debt Service

Results: Not applicable as the Entity is a non-profit.

Fraud Notice

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

Results: No misappropriations of public funds and assets were noted.

21. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: We noted the required notice is not posted on the Entity's website.

Management Response: *The organization will post this on its website.*

Information Technology Disaster Recovery/Business Continuity

22. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Results: We noted no exceptions. We’ve obtained documentation showing the Entity has backed up its critical data. We also noted Microsoft Office automatically performs critical data backups when laptops are connected to the internet. The Entity does not store backups on a physical medium.

- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: We were unable to verify if the Entity’s backups could be restored.

Management’s Response: Restorations are not performed.

- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: We noted no exceptions. We’ve obtained a listing of the client’s computers currently in use along with their locations. All 5 selected computers have current and active antivirus software. The operating system and accounting system software in use are currently supported.

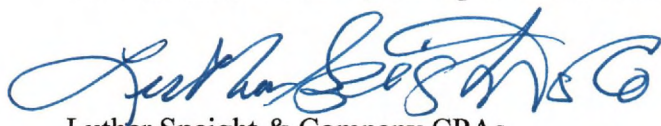
Sexual Harassment

Results: Not applicable as the Entity is a non-profit.

We were engaged by Healthy School Food Collaborative to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Healthy School Food Collaborative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

A handwritten signature in blue ink, appearing to read "Luther Speight & Company CPAs".

Luther Speight & Company CPAs
New Orleans, Louisiana
May 16, 2023