

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

FINANCIAL STATEMENTS

December 31, 2022

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

TABLE OF CONTENTS

December 31, 2022

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS		
Statement of Financial Position	A	4
Statement of Activities	B	5
Statement of Cash Flows	C	6
Statement of Functional Expenses	D	7
Notes to Financial Statements	E	8
SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedule of Compensation, Benefits and Other Payments to Agency Head	1	17
REPORTS ON INTERNAL CONTROL AND COMPLIANCE		
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 <i>Government Auditing Standards</i>		18
Schedule of Findings and Recommendations		20
Summary of Findings and Recommendations		21
Summary of Prior Year Findings and Questioned Costs		23

INDEPENDENT AUDITORS' REPORT

Board of Directors
Companion Animal Alliance
Baton Rouge, Louisiana

Opinion

We have audited the accompanying financial statements of **COMPANION ANIMAL ALLIANCE** (a nonprofit organization) (the Alliance), which comprise the statement of financial position as of December 31, 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 respective financial position of the Alliance, as of December 31, 2022, and the respective changes in financial position, cash flows thereof 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 (GAAS), 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 auditors' 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 GAAS, 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 GAAS, the *Louisiana Governmental Audit Guide*, and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance'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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Alliance's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic 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 schedule of compensation, benefits, and other payments to agency head 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 June 28, 2023, on our consideration of the Alliance'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 Alliance's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
June 28, 2023

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,372,861
Accounts receivable	23,209
Contribution receivable - rent, current portion, net of discount	11,456
Inventory	<u>15,100</u>
 Total current assets	 1,422,626

CONTRIBUTION RECEIVABLE - RENT, LONG-TERM	492,601
PROPERTY AND EQUIPMENT, NET	<u>8,738,739</u>

Total assets	<u><u>\$ 10,653,966</u></u>
--------------	-----------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 85,341
Due to Baton Rouge Area Foundation	143,802
Compensated absences	<u>41,554</u>
 Total current liabilities	 <u>270,697</u>

NET ASSETS:

With donor restrictions	871,629
Without donor restrictions	<u>9,511,640</u>
 Total net assets	 <u>10,383,269</u>
 Total liabilities and net assets	 <u><u>\$ 10,653,966</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUES			
Support:			
Contributions	\$ 1,025,017	\$ 272,749	1,297,766
Gala and fundraising income	304,115	-	304,115
Interest earnings, net	4,214	3,078	7,292
Revenues:			
Adoption fees	226,948	-	226,948
Program services fees	1,071,380	-	1,071,380
License fees	150,000	-	150,000
Merchandise sales	22,386	-	22,386
In-kind contributions	<u>140,096</u>	<u>-</u>	<u>140,096</u>
Total revenues and support	2,944,156	275,827	3,219,983
Net assets released from restriction	<u>487,189</u>	<u>(487,189)</u>	<u>-</u>
Total revenue, support, and net assets released from restriction	<u>3,431,345</u>	<u>(211,362)</u>	<u>3,219,983</u>
EXPENSES			
Program services	2,437,819	-	2,437,819
Supporting services:			
Fundraising	278,960	-	278,960
General and administrative	<u>478,413</u>	<u>-</u>	<u>478,413</u>
Total expenses	<u>3,195,192</u>	<u>-</u>	<u>3,195,192</u>
OTHER INCOME			
Paycheck Protection Program loan forgiveness	<u>251,172</u>	<u>-</u>	<u>251,172</u>
Change in net assets	487,325	(211,362)	275,963
NET ASSETS			
Beginning of year, restated	<u>9,024,315</u>	<u>1,082,991</u>	<u>10,107,306</u>
End of year	<u>\$ 9,511,640</u>	<u>\$ 871,629</u>	<u>\$ 10,383,269</u>

The accompanying notes to financial statements
are an integral part of this statement.

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 275,963
Depreciation	286,393
Paycheck Protection Program loan forgiveness	(251,172)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Change in operating assets	209,276
Change in operating liabilities	<u>119,810</u>
Net cash provided by operating activities	<u>640,270</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(76,070)</u>
Net increase in cash	564,200

CASH AND CASH EQUIVALENTS

Beginning of year	<u>808,661</u>
End of year	<u><u>\$ 1,372,861</u></u>

Supplemental disclosure of cash flow information:

Non-cash rent expense incurred	<u><u>\$ 12,000</u></u>
--------------------------------	-------------------------

The accompanying notes to financial statements
are an integral part of this statement.

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 1,039,253	\$ 69,284	\$ 277,134	\$ 1,385,670
Payroll taxes	79,089	5,273	21,090	105,452
Employee benefits	79,798	19,382	4,845	104,025
Professional services	290,009	-	30,191	320,200
Medical supplies	296,908	-	-	296,908
Depreciation	214,795	14,320	57,279	286,393
Insurance	122,921	1,639	39,335	163,894
Fundraising	-	161,524	-	161,524
Utilities	64,313	4,288	17,150	85,751
Cleaning	71,039	-	-	71,039
Food	67,299	-	-	67,299
Repairs and maintenance	15,611	1,041	4,163	20,814
Technology	15,157	1,010	4,042	20,209
Program expense	16,531	-	-	16,531
Telephone	1,432	-	14,268	15,700
Supplies	15,007	-	-	15,007
Rent expense	12,000	-	-	12,000
Cost of merchandise sold	11,045	-	-	11,045
Car and truck expense	10,969	-	-	10,969
Office expense	6,342	423	1,691	8,456
Travel	4,736	316	1,263	6,314
Administrative fees	-	-	4,761	4,761
Printing and communications	3,568	238	951	4,757
Dues and subscriptions	-	-	250	250
Advertising	-	224	-	224
Total expenses	<u>\$ 2,437,819</u>	<u>\$ 278,960</u>	<u>\$ 478,413</u>	<u>\$ 3,195,192</u>

The accompanying notes to financial statements
are an integral part of this statement.

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Companion Animal Alliance is a non-profit organization committed to reducing the number of animals entering the animal shelter, treating animals humanely while they are in the shelter's care, and to finding homes for animals, returning lost animals to their families while finding foster care and permanent homes for other dogs and cats.

Basis of presentation

The Alliance prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

The Alliance is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions, which are described as follows:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations and are available for use at the Alliance's discretion. Net assets without donor restrictions may be designated for specific purposes by the Alliance's governing authority.

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met by actions of the Alliance and/or the passage of time or include assets to be held in perpetuity with income earnings on the related investments to be used for general or specific purposes. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The statement of activities presents expenses of the Alliance's operations functionally and by natural expense class. The Alliance's major functions include program expenses, fundraising, and management and general expenses.

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, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation, contributed rent receivable, in-kind revenues, and functional expense allocation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash, for purposes of the statement of cash flows, consists of cash on hand, demand deposit and savings accounts, and money market funds.

For the purposes of the statement of cash flows, the Alliance considers all highly liquid debt instruments or certificates of deposit purchased with maturities of three months or less to be cash equivalents. If such instruments have an original maturity date in excess of three months, such amounts are classified as investments on the statement of financial position.

The Baton Rouge Area Foundation holds investments on behalf of the Alliance. These investments are classified under cash and cash equivalents on the Alliance's financial statements due to the nature of the instruments. Net investment related income and fees are recognized by the Alliance during the year.

Revenue recognition

Contributions are recorded as support with donor restriction or support without donor restriction and recognized when the donor makes an unconditional contribution to the Alliance.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expired in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities.

Revenues from exchange transactions primarily consist of fees related to application, adoption, other placement fees, and merchandise sales. The Alliance recognizes revenue when the performance obligation is satisfied, which is at a specific point in time.

Receivables as of January 1, 2022 were \$744,166. See Note 11 for restatement.

Inventory

The Alliance's inventory, consisting of retail pet supplies, is stated at lower of cost or market. No allowance has been recorded for obsolete inventory at December 31, 2022.

Property and equipment

Property and equipment are recorded at cost, and depreciation is recorded using the straight-line method over the estimated useful life of the asset, less estimated salvage value. The cost of capital assets sold or otherwise disposed of, and the accumulated depreciation thereon are eliminated from the capital assets and related accumulated depreciation accounts, and any gain or loss is reflected in the statement of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Expenditures for maintenance, repairs and minor renewals are expensed as incurred.

Useful lives by asset type are as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Building and improvements	10 – 40 years
Equipment and furniture	3 – 10 years
Vehicles	3 – 5 years

Leases

Effective January 1, 2022, the Alliance adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), and all related amendments retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. This guidance requires that right-of-use (ROU) assets and lease liabilities be recorded on the statement of financial position. The Alliance elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (1) whether existing contracts contain a lease, (2) the lease classification or (3) unamortized initial direct costs for existing leases. The Alliance made accounting policy elections for the exclusion of short-term leases (leases with an initial lease term of 12 months or less and which do not include a purchase option that the Alliance is reasonably certain to exercise).

Retirement plan

The Alliance sponsors a simple individual retirement account (IRA) plan established under Section 403(b) of the Internal Revenue Code. Under the provisions of the plan, employees may elect to defer a maximum of \$6,000 during 2022. Their salary deferrals and the related earnings are 100% vested and non-forfeitable. The Alliance may make a discretionary matching contribution up to 2% of the elective deferrals. If the Alliance decides in any year to contribute a discretionary match, it will decide how much to contribute and the matching rate which will apply to the elective deferrals. These contributions are also 100% vested. Employer contributions were \$16,702 for 2022.

Compensated absences

Full-time employees accrue paid time off (PTO) during the year based on the length of time each employee has been employed by the Alliance. Full-time employees with the Alliance less than five years earn a total of 120 hours during the year with a maximum accrual of 15 days. Once employment exceeds five years, the accrual increases to 160 hours each year with a maximum of 23 days. Employees are allowed to carry-forward all unused PTO each year. Upon termination, accrued and unused PTO is paid to the employee at their regular base hourly rate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Alliance expenses advertising costs as incurred. The Alliance expensed \$224 in 2022.

Functional expenses

The financial statements report certain expense categories that are attributable to more than one service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including salaries, payroll taxes, employee benefits, depreciation, insurance, office expenses, printing and communications, professional services, repairs and maintenance, technology, utilities, and travel expenses are allocated based on level of effort.

Contributed items and services

Donated services and use of facilities are recorded at estimated fair value on the date of donation. The Alliance received in-kind contributions during 2022 related to accounting services, silent auction items, animal food, and use of facilities in the form of contributed rent.

Tax-exempt status and income taxes

The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the financial statements. The Alliance follows the guidance of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly, has not recognized a liability related to income taxes. The Alliance's open audit periods are 2018 through 2022.

Fair value measurements

The carrying value of receivables, accounts payable, and accrued expenses approximate fair market value due to the short-term maturity of these instruments. The carrying value of short-term debt approximates fair value based on the current rates offered for debt of comparable maturities and collateral requirements. These financial instruments are not held for trading purposes.

Current accounting standards implemented

As of January 1, 2022, the Alliance adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The Alliance's adoption of ASU No. 2020-07 did not result in any adjustments to their financial statement presentation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

In preparing these financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through June 28, 2023, which was the date the financial statements were available to be issued.

NOTE 2 - CONTRIBUTED RENT RECEIVABLE

In 2016, the Alliance entered a leasing agreement with Louisiana State University for usage of land on the University's campus. The annual rent of \$12,000 is considered a donation to the Alliance. The rent expense is presented in the statement of functional expenses.

As of January 1, 2022, a land lease receivable equal to the present value of annual rental payments (assuming a discount rate of 4.75% in 2022) was recorded by the Alliance. See Note 10 for prior year restatement. The annual rental of \$12,000 was recorded, net of the amortized discount, resulting in a net land rental of \$11,456 for the year ending December 31, 2022.

Rent expense expected to be recorded in future years, in accordance with the lease agreement, is as follows:

Year ending December 31,	Lease Amount	Discount Amortization	Net Expense
2022	\$ 12,000	\$ 544	\$ 11,456
2023	12,000	544	11,456
2024	12,000	544	11,456
2025	12,000	544	11,456
2026	12,000	544	11,456
Thereafter	<u>468,000</u>	<u>21,223</u>	<u>446,777</u>
Total	<u>\$ 528,000</u>	<u>\$ 23,943</u>	<u>\$ 504,057</u>

(continued)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, and related services lives at December 31, 2022 were as follows:

Description	Service Life	Amount
Building	10 - 40 years	\$ 9,450,923
Equipment and furniture	3 - 10 years	506,939
Vehicles	3 - 5 years	121,347
		10,079,209
Less: accumulated depreciation		(1,340,470)
Property and equipment, net		\$ 8,738,739

Depreciation expense was \$286,393 for 2022.

NOTE 4 - PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

In March 2021, the Alliance received a second round of Paycheck Protection Program (PPP) loan proceeds of \$251,172. The PPP, established as a part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides loans for qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans may be forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll certain employee benefits, rent and utilities, and maintains certain payroll levels. In 2022, the PPP loan was forgiven in full as a result of the Alliance meeting the required criteria for loan forgiveness. No portions of the PPP have been presented as current maturities of notes payable at December 31, 2022. The forgiveness is recognized as other income for the 2022 fiscal year.

NOTE 5 - NET ASSETS

The Alliance's net assets with donor restrictions as of December 31, 2022 is as follows:

With donor restrictions:	Amount
Purpose restricted:	
Restricted fund	\$ 123,348
Sick and injured fund	7,130
Pets for life fund	237,094
Total purpose restricted	367,572
Time restricted:	
Contribution receivable - rent	504,057
Total with donor restrictions	\$ 871,629

NOTE 5 - NET ASSETS (CONTINUED)

Net assets released from restrictions during 2022 were as follows:

Released from restrictions:	<u>Amount</u>
Satisfaction of donor stipulations:	
Restricted fund	\$ 256,368
Sick and injured fund	14,454
Pets for life fund	<u>204,911</u>
Total releases from donor stipulations	475,733
 Passage of time:	
Rent	<u>11,456</u>
Total released from restrictions	<u><u>\$ 487,189</u></u>

NOTE 6 - IN-KIND DONATIONS

In-kind donations recognized by the Alliance during the year 2022 are as follows:

	<u>Amount</u>
Accounting services	\$ 60,000
Silent auction donations	40,096
Animal food	<u>40,000</u>
Total	<u><u>\$ 140,096</u></u>

The Alliance recognized \$12,000 in contributed rent during the year. All in-kind donations received and recognized during 2022 were used in their entirety and there is no benefit remaining as of year-end.

NOTE 7 - RELATED PARTY TRANSACTIONS

As of December 31, 2022, the Alliance had an outstanding liability totaling \$143,802 payable to Baton Rouge Area Foundation, which provides fiscal administration, accounting, and professional services to the Alliance. This liability represents funds paid for operating expenses by Baton Rouge Area Foundation on behalf of the Alliance. Management anticipates this liability will be liquidated within the current period.

For the year ended December 31, 2022, the Alliance paid certain administrative expenses totaling \$4,761 to Baton Rouge Area Foundation. Such expenses are allocated proportionately among all Alliances holding funds with Baton Rouge Area Foundation.

NOTE 8 - AVAILABILITY OF FINANCIAL RESOURCES

The Alliance's working capital and cash flows have seasonal variations during the year attributable to annual cash receipts from adoptions and quarterly installment of operating grant deposits from the City-Parish of East Baton Rouge, Louisiana.

The Alliance's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets:	Amount
Cash and cash equivalents	\$ 1,372,861
Accounts receivable	23,209
Total available	1,396,070
Less: net assets with donor-purpose restrictions	(367,572)
Financial assets available within one year, at year-end	\$ 1,028,498

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Alliance typically maintains cash and cash equivalents, and temporary investments in local banks that may, at times, exceed the Federal Deposit Insurance Corporation (FDIC) limits. Management believes this risk is limited. The Alliance's exposure above the FDIC limit as of December 31, 2022 is \$64,137.

NOTE 10 - CORRECTION OF AN ERROR

During 2022, it was discovered the Alliance previously did not maintain accrual basis accounting for all financial transactions.

The restatement of net assets without donor restrictions and with donor restrictions as of January 1, 2022 are as follows:

Net assets without donor restrictions:

Net assets without donor restrictions as of December 31, 2021	\$ 8,697,232
Paycheck Protection Program loan forgiveness	(251,172)
Revenues recorded in improper period	115,829
Expenses recorded in improper period	(13,753)
Salaries recorded in improper period	(15,465)
Prepaid insurance	6,300
Compensated absences	(35,969)
Reclassification of net assets previously reported with donor restrictions	521,313
Net assets without donor restrictions as of January 1, 2022	\$ 9,024,315

NOTE 10 - CORRECTION OF AN ERROR (CONTINUED)

Net assets with donor restrictions:

Net assets with donor restrictions as of December 31, 2021	\$ 988,791
Revenues recorded in improper period	100,000
Contributed land rental	515,513
Reclassification of net assets previously reported with donor restrictions	<u>(521,313)</u>
Net assets with donor restrictions as of January 1, 2022	<u>\$ 1,082,991</u>

SUPPLEMENTARY INFORMATION

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

For the year ended December 31, 2022

Agency Head: Jillian Sergio, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 102,981
Benefits - insurance	5,471
Benefits - retirement	3,090
Benefits - payroll taxes	7,878
Reimbursements	<u>1,161</u>
	<u>\$ 120,581</u>

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

To the Board of Directors
Companion Animal Alliance
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of **COMPANION ANIMAL ALLIANCE** (a nonprofit organization) (the Alliance), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliance’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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the schedule of findings and questioned costs as item 2022-001.

The Alliance’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Alliance’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs.

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 Alliance’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 Alliance’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, state and federal granting agencies, 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 report is distributed by the Louisiana Legislative Auditor as a public document.


Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 28, 2023

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2022

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unmodified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **None.**

Material weaknesses: **2022-001.**

- C) Noncompliance that is material to the financial statements: **None.**

- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **None.**
- 3) Noncompliance with state laws and regulations: **None.**

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

SUMMARY OF FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2022

4) FINDINGS - FINANCIAL STATEMENT AUDIT AND INTERNAL CONTROL

2022-001 – Adoption of a Comprehensive Policies and Procedures Handbook and Internal Controls over Financial Reporting

Condition: The Alliance does not have a comprehensive policies and procedures handbook in place as it relates to its current financial processes and accounting practices. While some internal control and accounting practices are carried out daily, there is no formal written documentation of these policies and procedures, including segregation of duties considerations.

Criteria: Without formalized policies and procedures related to financial reporting and accounting practices, the Alliance is at an increased risk for misstatements within the financial statements. The lack of documented and effective safeguards can cause potential misstatements to remain unidentified and cause the financial statements to be misleading.

Cause: The Alliance has not adopted formalized accounting policies and procedures related to financial reporting and accounting practices.

Effect: The lack of accounting practices and procedures led to financial misstatements to beginning net assets as of January 1, 2022. Misstatements discovered are as follows:

- Accounts receivable understated \$22,084
- Contributed rent receivable understated \$515,513
- Accrued payroll understated \$18,653
- Compensated absences understated \$35,969
- Net assets without donor restriction overstated \$194,230
- Net assets with donor restriction understated \$615,513

Additionally net assets previously recorded with donor restriction was reclassified to net assets without donor restriction for \$521,313 as of January 1, 2022.

Recommendation: The Alliance should create and adopt a comprehensive policies and procedures handbook that covers the significant areas of accounting and financial practice, including segregation of duties considerations. This will ensure that financial policies are conducted consistently and in accordance with the expectations set by management and board governance.

Recommendation (Continued): Additionally, the Alliance should ensure the comprehensive policies and procedures handbook addresses human resource functions, which should include, personnel action forms documenting authorized pay rates for employees, approval of employee attendance and leave when applicable, and cumulative leave balances.

Views of responsible officials: Management agrees with the recommendation and will collaborate with board governance to develop comprehensive accounting policies and procedures to assist the Alliance in appropriate financial reporting.

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

SUMMARY OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the year ended December 31, 2022

5) FINDINGS - FINANCIAL STATEMENT AUDIT

2021-001 - Timeliness of Report Submission

This matter is considered resolved.

Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures

COMPANION ANIMAL ALLIANCE

Baton Rouge, Louisiana

For the year ended December 31, 2022

**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of
Companion Animal Alliance and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by **COMPANION ANIMAL ALLIANCE** (the Alliance) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. The Alliance's management is responsible for those C/C areas identified in the SAUPs.

COMPANION ANIMAL ALLIANCE (the Alliance) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 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:

1. Written Policies and Procedures:

- A. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***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.
 - iii. ***Disbursements***, including processing, reviewing, and approving.
 - iv. ***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).

- v. **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **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, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **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.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

2. Board or Finance Committee:

- A. Obtain and inspect the board/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:
 - i. Observe whether the managing board met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - ii. 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.

- iii. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

3. Bank Reconciliations:

- A. Obtain a listing of client bank accounts 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:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - ii. 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
 - iii. 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.

4. Collections:

- A. 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).
- B. 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:
 - i. Employees that are responsible for cash collections do not share cash drawers/registers.
 - ii. 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.
 - iii. 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.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
- C. 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.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3A 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:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. 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).
 - v. Trace the actual deposit per the bank statement to the general ledger.

5. Non-Payroll Disbursements (excluding credit card purchases, travel reimbursements, and petty cash purchases):

- A. 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).
- B. For each location selected under #5A 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:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - iii. 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.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under #5A 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:
- i. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

6. Credit Cards/Debit Cards/Fuel Cards/P-Cards:

- A. 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.
- B. 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:
 - i. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, 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.]]
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.

- C. Using the monthly statements or combined statements selected under #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased security.

7. Travel and Travel-Related Expense Reimbursement (excluding card transactions):

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

8. Contracts:

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

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

9. Payroll and Personnel:

- A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii. Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees of officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/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' cumulate leave records, agree the pay rates to the employee and officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.

10. Ethics:

- A. Using the 5 randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - i. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

- ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11. Debt Service:

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

12. Fraud Notice:

- A. 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.
- B. 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.

13. Information Technology Disaster Recovery/Business Continuity:

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. 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.
 - ii. 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.

- iii. 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.

14. Prevention of Sexual Harassment:

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

SCHEDULE OF ASSOCIATED FINDINGS

For the year ended December 31, 2022

Associated findings:

No associated findings were found as a result of applying the procedures listed above, except as follows:

1. Written Policies and Procedures:

A (i) (ii) (iii) (iv) (vii) (x) (xi) The Alliance does not have policies relating to budgeting, purchasing, disbursements, receipts, credit cards (and fuel cards), debt services, or information technology disaster recovery/business continuity.

A (v)(2)(3) (vi)(1)(2)(3)(5) (viii)(1)(2) (xii)(1)(2)(3) The Alliance has policies in place relating to payroll/personnel, contracting, travel/expense reimbursements, and sexual harassment, however they do not meet the minimum requirements set forth by the Statewide Agreed Upon Procedures.

3. Bank Reconciliations:

A (i) (ii) The bank reconciliations do not include written evidence of preparation within two months of the statement closing date or notation of a member of management or a board member who does not handle cash, post ledgers, or issue checks reviewing each bank reconciliation.

4. Collections:

B (i) (ii) (iii) (iv) The Alliance lacks written policies and procedures outlining segregation of duties relating for cash drawer management, preparing deposits and reconciliation to collections, posting collections to the general ledger, and collecting cash.

D (i) (iv) Of the two deposits tested, neither contained sequentially pre-numbered receipts. One transaction was not deposited with a financial institution within one day of receipt at the collection location.

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

B (iii) Of the five disbursements tested, the employee responsible for processing payments is not prohibited from adding/modifying vendor files.

C (ii) Of the five disbursements tested, four lacked evidence of segregation of duties.

D (b) All five electronic disbursements did not contain approval by the required member of authorized signer's per the Alliance's policy.

6. Credit Cards/Debit Cards/Fuel Cards/Purchase Cards:

A (i) (ii) Of the five cards selected, only three cards were active during the month. None of the cards had supporting documentation noting review and approval, in writing, by someone other than the authorized card holder.

B (i) (ii) Of the twelve charges occurring during the month selected, five transactions did not contain documentation of the related business purpose or an itemized receipt identifying what was purchased.

7. Travel and Travel-Related Expense Reimbursements:

A (ii) (iv) Of the five disbursements tested, all lacked review and approval, in writing, by someone other than the person receiving the reimbursement. One disbursement did not include an itemized receipt that identifies precisely what was purchased.

9. Payroll and Personnel:

B (i) (ii) (iii) (iv) Of the five employees tested, there was no documentation for the full-time employee's daily attendance and leave, approval by a supervisor of employee's daily attendance and leave, or any leave taken during the pay period selected being reflected in the entity's cumulative leave records. Four of the five employees' pay rates per the selected pay period did not match the authorized salary/pay rate found within the personnel file.

12. Fraud Notice:

B The Alliance does not have posted on its premise and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

13. Information Technology Disaster Recovery/Business Continuity:

We performed the procedure and discussed the results with management. We noted no associated findings to this procedure.

14. Prevention of Sexual Harassment:

A None of the five employees tested completed at least one hour of sexual harassment training during the calendar year.

B The Alliance does not have its sexual harassment policy and compliant procedure on its website or conspicuously placed on the premises.

C (i) (ii) (iii) (iv) (v) The Alliance did not complete and communicate an annual sexual harassment report for the fiscal year under the applicable requirements of R.S. 42:344.

Management's Response:

- 1. A:** The Alliance will adopt and update written policies and procedures related to budgeting, purchasing, disbursements, receipts, credit cards (and fuel cards), debt services, information technology disaster recovery/business continuity, payroll/personnel, contracting, travel/expense reimbursements, and sexual harassment to be compliant with the minimum requirements of the Statewide Agreed Upon Procedures.
- 3. A (i) (ii):** The Alliance will document date of bank reconciliation preparation and review upon completion by someone other than an individual who handle cash, post ledgers, or issues checks.
- 4. B (i) (ii) (iii) (iv):** The Alliance will adopt written policies and procedures outlining segregation of duties relating to cash handling, reconciliations, posting, and collection.
- 4. D (i) (ii):** The Alliance will improve procedures to ensure all deposits are made within one business day or within one week, as appropriate.
- 5. B C D:** Policies and procedures relating to documenting segregation of duties of individuals processing payments and able to change vendor files will be distinguished. Only authorized signer's will be able to review and approve payments before disbursement of funds.
- 6. A B:** All credit card transactions will be supported by supporting documentation noting review and approval by someone other than the cardholder and business purpose for the expense.
- 7. A:** All travel and travel-related expense reimbursements will be approved by someone other than the individual requesting reimbursement.
- 9. B:** The Alliance will document the daily attendance and leave for all full-time and part-time employees as well as approval of the attendance and leave. Employee files will be updated to reflect the pay rate as changes occur.
- 12. B:** The fraud notice will be posted on the Alliance's website and on the premise.
- 14. A B C:** One hour of sexual harassment training will be required of all full-time and part-time employees each calendar year. The sexual harassment policy will be made available on the Alliance's website and the Alliance will adopt the annual reporting standards as required by R.S. 42:344.

We were engaged by the **COMPANION ANIMAL ALLIANCE** 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 the **COMPANION ANIMAL ALLIANCE** 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.


Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 28, 2023