



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

OPERATION RESTORATION

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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Operation Restoration
New Orleans, LA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Operation Restoration (a non-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities 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 Operation Restoration as of December 31, 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 General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Operation Restoration 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 opinions.

Responsibilities of Management for the Financial Statements

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

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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 Operation Restoration'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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Operation Restoration'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 Operation Restoration'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 schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 23, 2023 on our consideration of the Operation Restoration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Operation Restoration's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Operation Restoration's internal control over financial reporting and compliance.



Luther Speight & Company CPAs
New Orleans, Louisiana
June 23, 2023

**OPERATION RESTORATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	\$ 6,120,151	\$ 4,276,957
Grants Receivable	3,159,156	1,999,753
Bail Project Receivable	146,173	245,824
Right of Use Asset - Office Space, net	241,979	-
Fixed Assets, net	580,561	351,165
Total Assets	<u>\$ 10,248,020</u>	<u>\$ 6,873,699</u>
LIABILITIES & NET ASSETS		
Liabilities		
Accounts Payable	\$ -	\$ 4,878
Accrued Payroll	26,662	52,805
Agency Grants Payable	39,779	-
Bail Project Payable	298,440	128,030
Mortgage Payable	178,453	-
Lease Liability	241,979	-
Total Liabilities	<u>785,313</u>	<u>185,713</u>
NET ASSETS		
Without Donor Restrictions	6,903,885	6,306,795
With Donor Restrictions	2,558,822	381,191
Total Net Assets	<u>9,462,707</u>	<u>6,687,986</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 10,248,020</u>	<u>\$ 6,873,699</u>

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

OPERATION RESTORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Foundation Grants	\$ 2,635,619	\$ -	\$ 2,635,619	\$ 2,046,809	\$ -	\$ 2,046,809
Restricted Grants	-	2,970,222	2,970,222	-	875,423	875,423
Agency Income	-	-	-	-	299,783	299,783
In-Kind Donations - Office Space	94,320	-	94,320	94,320	-	94,320
Donation Income	150,771	-	150,771	-	-	-
Private Contributions	69,049	-	69,049	289,744	-	289,744
Interest Income	13,489	-	13,489	9,867	-	9,867
Other Income	26,496	-	26,496	347,047	-	347,047
Released from Restrictions	792,591	(792,591)	-	1,244,250	(1,244,250)	-
Total Revenues and Other Support	<u>3,782,335</u>	<u>2,177,631</u>	<u>5,959,966</u>	<u>4,032,037</u>	<u>(69,044)</u>	<u>3,962,993</u>
EXPENSES						
Program Services	1,834,446	-	1,834,446	1,467,931	-	1,467,931
Management and General	1,192,947	-	1,192,947	1,163,765	-	1,163,765
Total Expenses	<u>3,027,393</u>	<u>-</u>	<u>3,027,393</u>	<u>2,631,696</u>	<u>-</u>	<u>2,631,696</u>
CHANGE IN NET ASSETS	754,942	2,177,631	2,932,573	1,400,341	(69,044)	1,331,297
Net Assets, Beginning of Year	6,306,795	381,191	6,687,986	4,240,321	450,235	4,690,556
Net Assets Adjustment	(157,852)	-	(157,852)	666,133	-	666,133
Net Assets, End of Year	<u>\$ 6,903,885</u>	<u>\$ 2,558,822</u>	<u>\$ 9,462,707</u>	<u>\$ 6,306,795</u>	<u>\$ 381,191</u>	<u>\$ 6,687,986</u>

**OPERATION RESTORATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Expense Description	Program Services	Management and General	2022 Total	Program Services	Management and General	2021 Total
Salaries & Wages	\$ 1,039,247	\$ 286,723	\$ 1,325,970	\$ 824,871	\$ 181,728	\$ 1,006,599
Contract Services	334,037	15,962	349,999	152,664	239,835	392,499
Subrecipient Expense	-	-	-	70,025	50,042	120,067
Travel	36,842	14,509	51,351	26,152	14,710	40,862
Fringe Benefits	111,784	72,033	183,817	59,663	196,148	255,811
Payroll Taxes	(133,379)	223,795	90,416	-	-	-
Office Expense	43,561	93,583	137,144	42,549	65,835	108,384
In-Kind Services	-	2,500	2,500	-	155,785	155,785
Professional Services	7,072	170,118	177,190	979	103,363	104,342
Rent	2,000	119,641	121,641	-	13,946	13,946
Advertising	270	59,958	60,228	5,735	58,926	64,661
Miscellaneous	687	9,456	10,143	2,649	14,457	17,106
Stipends	60,113	-	60,113	4,935	-	4,935
Program Expense	97,961	25,919	123,880	90,241	-	90,241
Charitable Contributions	33,040	7,000	40,040	6,000	11,000	17,000
Sub-Grant	200,000	-	200,000	179,187	-	179,187
Insurance	-	35,397	35,397	-	21,639	21,639
Facilities and Equipment	165	10,693	10,858	2,281	-	2,281
Project Events	1,046	2,340	3,386	-	-	-
Total Expenses Before Depreciation	1,834,446	1,149,627	2,984,073	1,467,931	1,127,414	2,595,345
Depreciation	-	43,320	43,320	-	36,351	36,351
Total Expenses	\$ 1,834,446	\$ 1,192,947	\$ 3,027,393	\$ 1,467,931	\$ 1,163,765	\$ 2,631,696

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

**OPERATION RESTORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,932,573	\$ 1,331,297
Net Assets Adjustment	(157,852)	666,133
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	43,320	36,351
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(1,159,403)	(811,868)
Bail Project Receivable	99,651	362,360
Lease Asset	(241,979)	-
Increase (Decrease) in Operating Liabilities:		
Accrued Payroll	(26,143)	26,149
Accounts Payable	(4,878)	(4,052)
Agency Grants Payable	39,779	-
Lease Liability	241,979	-
Net Cash Provided by Operating Activities	1,767,047	1,606,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Fixed Assets	(272,716)	(170,701)
Net Cash Used by Investing Activities	(272,716)	(170,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings of Mortgage Loan, Net	178,453	-
Bail Project Loan, Net Borrowings	170,410	(300,250)
Net Cash Provided by/(Used by) Financing Activities	348,863	(300,250)
NET CHANGE IN CASH AND EQUIVALENTS	1,843,194	1,135,419
Cash and Cash Equivalents - Beginning of Year	4,276,957	3,141,538
Cash and Cash Equivalents - End of Year	\$ 6,120,151	\$ 4,276,957

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

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – ORGANIZATION AND BACKGROUND

Formed in 2016 and led by formerly incarcerated women, Operation Restoration (OR) is a 501(c)(3) organization whose mission is to support women and girls impacted by incarceration to recognize their full potential, restore their lives, and discover new possibilities. OR started building relationships with local and national organizations, and the founder began participating in speaking engagements across the nation. In 2017, OR wrote and successfully advocated for the passage of LA Act 276 (Ban the Box), prohibiting public colleges in Louisiana from asking about criminal history in admissions. Louisiana was the first state to pass this historic legislation. In 2018, OR absorbed the Louisiana Prison Education Coalition (LPEC), founded by Annie Phoenix, and started education programming in prison and in the community. OR is dedicated to building a community and support system for women impacted by incarceration through education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

OR's financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. 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, disclosure 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.

Basis of Reporting

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 OR are included in this category. OR 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 unrestricted.

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Reporting (Continued)

- 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. See Note 7 for additional details of Net Assets With Donor Restrictions.

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.

Promises to Give

All promises to give are recognized as assets less an allowance for uncollectible amounts, and revenues. On December 31, 2022 and 2021, OR did not have outstanding contributions or pledge receivables. Therefore, no allowance for uncollectible accounts was recorded.

OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash consists of cash and cash equivalents. OR considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates

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

Compensated Absences

Employees of OR are entitled to paid vacation, paid sick days, and leaves of absence, depending on job classification, length of service, and other factors. When estimating compensated absences, management determined that the amount is considered immaterial to the financial statements. As a result, no liability has been recorded in the accompanying financial statements. OR recognizes the costs of compensated absences when actually paid to employees.

Income Taxes

OR 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 are filed. OR did not pay any federal income tax for the years ended December 31, 2022 and 2021.

In-kind Contributions

In-kind contributions are recognized if services or support to enhance nonfinancial assets or conditions would require specialized skills or otherwise be purchased by OR. OR received free use of office space during 2022 and recorded in-kind revenue and expenses of \$94,320. See NOTE 9 for additional information.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been reported on a functional basis in the Statement of Functional Expenses. Expenses that are identified with a specific program or support service are charged directly according to the natural classification. Other shared costs have been allocated among the various program and supporting services based on usage or other estimates made by management.

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 3 – CASH AND CASH EQUIVALENTS

The cash and cash equivalents are recorded at \$6,120,151 and \$4,276,957 on December 31, 2022 and 2021, respectively. The cash is on deposit with two depository financial institutions in non-interest-bearing accounts. OR’s uninsured cash balance totaled \$5,646,187 and \$4,000,564 on December 31, 2022 and 2021, respectively.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable represents private foundation and city grant amounts earned by OR that were not received by December 31, 2022 and 2021. Total grants receivable as of December 31, 2022 and 2021 was \$3,159,156 and \$1,999,753, respectively. Management has determined that all grants receivable balances are collectable due to there being written agreements for each balance; therefore, management has not recorded an allowance for doubtful accounts.

NOTE 5 - FIXED ASSETS

All acquisitions of fixed assets in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Fixed assets are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Leasehold Improvements	15 years
Computers	5 years
Office Furniture	7 years

Such assets and related accumulated depreciation on December 31, 2022 consists of the following:

	<u>2022</u>	<u>2021</u>
Leasehold Improvements	\$ 320,095	\$ 304,159
Computers	39,081	39,081
Office Furniture	61,819	57,805
Building	213,316	-
Land	39,860	-
Accumulated Depreciation	(93,610)	(49,880)
Fixed Assets, net	<u>\$ 580,561</u>	<u>\$ 351,165</u>

Depreciation expense for the year ended December 31, 2022 and 2021 was \$43,320 and \$36,351, respectively.

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 – AGENCY GRANT AWARDS

Agency Grant revenue represents grants received and grants made to other organizations in fulfillment of OR’s mission and the related terms of private foundation grant agreements. Total agency grant awards for the year ended December 31, 2022 and 2021 was \$561 and \$299,783, respectively. OR has outstanding Agency Grants Payable of \$39,779 and \$0 at December 31, 2022 and 2021, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions on December 31, 2022 and 2021 consist of the following:

<u>Program</u>	<u>2022</u>	<u>2021</u>
Agency Grants	\$ 182,089	\$ 179,715
Operation Education	842,167	84,186
Operation General Funds	325,825	-
Operation Housing	-	80,216
Operation Policy	6,250	-
Operation Safety & Freedom Fund	96,538	-
Operation Social Services	1,105,953	37,074
	<u>\$ 2,558,822</u>	<u>\$ 381,191</u>

NOTE 8 – FOUNDATION GRANTS CONCENTRATION

Foundation Grant Revenue consists of private foundation grants from multiple grantors. During the year ended December 31, 2022, one grantor represented over 10% of total foundation grant revenue and total revenues. During the year ended December 31, 2022, OR received grants from this grantor totaling \$750,000, which represented 28% of total foundation grant revenue and 13% of total revenue. At December 31, 2022, OR has an outstanding accounts receivable balance from this grantor of \$750,000. During the year ended December 31, 2021, OR received grants from this grantor totaling \$500,000, which represented 16% of total foundation grant revenue and 12% of total revenue. At December 31, 2021, OR had an outstanding accounts receivable balance from this grantor of \$250,000.

NOTE 9 – LEASE OF OFFICE SPACE

During the year ended December 31, 2022, OR adopted ASC 842, *Leases*, which requires an organization to record a lease asset and liability based upon its lease agreements. OR currently occupies office space that is paid for by the New Orleans Saints’ organization.

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 9 – LEASE OF OFFICE SPACE (CONTINUED)

However, there is an official lease agreement and it meets the requirement of a lease per ASC 842. As a result, OR recorded a lease asset and liability at the origination date of the lease. The ending date of the lease is December 2025. Each year, the asset and liability is reduced based upon the actual payments and a calculated amortization schedule. Since OR does not expend any cash as a result of the agreement, the monthly payment is recorded as an In-Kind Donation. As of December 2022, the lease asset and liability totaled \$241,979. Total rent expense for the years ended December 2022 and 2021 was \$121,641 and \$13,946, respectively. Based on the terms of the lease agreement, the below lease amortization schedule shows the yearly asset and liability reduction. The asset and liability will go to \$0 at the end of the lease in fiscal 2025.

ASC 842 Lease Amortization Schedule							
Period	Cash	Liability Lease Expense	Liability Reduction	Total Liability	Asset Lease Expense	Net Asset Balance	Total Lease Expense
Beginning Balance				\$ 450,589		\$ 450,589	
2019	55,020	37,174	17,846	432,743	17,846	432,743	55,020
2020	94,320	35,701	58,619	374,124	58,619	374,124	94,320
2021	94,320	30,865	63,455	310,669	63,455	310,669	94,320
2022	94,320	25,630	68,690	241,979	68,690	241,979	94,320
2023	94,320	19,963	74,357	167,623	74,357	167,623	94,320
2024	94,320	13,829	80,491	87,132	80,491	87,132	94,320
2025	94,320	7,188	87,132	0	87,132	0	94,320
	<u>620,940</u>		<u>450,589</u>		<u>450,589</u>		<u>620,940</u>

NOTE 10 – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including OR, to annual periods beginning after December 15, 2021. See NOTE 9 for additional information on OR's leases.

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 10 – RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

On September 17, 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update is expected to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires additional disclosures. The ASU is applicable for periods beginning after June 15, 2021. OR receives free use of office space, which is recorded as In-Kind Donations – Office Space on the Statement of Activities. See NOTE 9 for additional information.

NOTE 11 – 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, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 6,120,151	\$ 4,276,957
Grants Receivable	3,159,156	1,999,753
Bail Project Receivable	146,173	245,824
Subtotal	<u>\$ 9,425,480</u>	<u>\$ 6,522,534</u>
Net Assets With Donor Restrictions	<u>(2,558,822)</u>	<u>(381,191)</u>
Net Assets Available for General Expenditures Within One Year	<u>\$ 6,866,658</u>	<u>\$ 6,141,343</u>

NOTE 12 – RETIREMENT PLAN

OR has a Simple IRA where employees contribute a percentage of their salary. OR matches these contributions up to 3%. During the year ended December 31, 2022 and 2021, OR recorded matching contributions totaling \$38,688 and \$27,537, respectively.

NOTE 13 – SAFETY & FREEDOM FUND

During the year ended December 31, 2020, OR entered an agreement with The Bail Project, Inc. (“TBP”), a New York not-for-profit that was established in 2016 with the charitable purpose of paying bail for people in need. TBP provided a loan of \$300,000 to OR to start posting bonds on behalf of people who are incarcerated solely because they are poor. Any bonds posted on behalf of others must meet certain criteria per the agreement.

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 13 – SAFETY & FREEDOM FUND (CONTINUED)

Per the terms of the agreement, OR started making payments on the loan 14 days after the execution date of the agreement. OR must remit all returned bail funds to date from bails posted by individuals. Subsequent payments are due every 30 days thereafter and the amount due will be the amount of returned bail funds to OR. As a result, the monthly payment will differ and a 5-year maturity schedule cannot be determined. OR has recorded a receivable balance for all bonds posted on behalf of others. During the year ended December 31, 2022, OR obtained three additional loans from TBP totaling \$650,000.

The receivable balance is reduced when bail funds are returned. As of December 31, 2022 and 2021, the receivable balance was \$146,173 and \$245,824, respectively and is disclosed as the Bail Project Receivable on the Statement of Financial Position. The loan balance at December 31, 2022 and 2021 was \$298,440 and \$128,030, respectively, and is disclosed as the Bail Project Payable on the Statement of Financial Position. Management does not believe an allowance for doubtful accounts is necessary.

NOTE 14 – MORTGAGE PAYABLE

During the year ended December 31, 2022, OR financed the purchase of a building totaling \$180,000 through a financial institution. The mortgage is payable in monthly principal and interest payments of \$1,547 with an interest rate of 8.25%. The final payment in November 2042 will consist of all unpaid principal and interest. As of December 31, 2022, the outstanding balance of the mortgage was \$178,453. Future maturities of the mortgage payable are as follows:

2023	\$	3,676
2024		3,952
2025		4,339
2026		4,716
2027		5,126
Thereafter		156,644
	\$	<u>178,453</u>

NOTE 15 – COVID-19 GLOBAL PANDEMIC

The State of Louisiana COVID-19 declaration expired in March 2022. Moreover, as of May 2022, Orleans Parish (in which OR is located) is categorized as having LOW COVID-19 Community Level. Management does not expect there to be any impact of operations going forward due to COVID-19.

**OPERATION RESTORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 16 – NET ASSETS ADJUSTMENT

During the year ended December 31, 2022, management identified certain prior audit adjusting entries that were not properly recorded. In order to properly state beginning net assets, management recorded a net assets adjustment totaling -\$157,852. During the year ended December 31, 2022, management also identified certain prior audit adjusting entries that were not properly recorded. In order to properly state beginning net assets for fiscal 2021, management recorded a net assets adjustment totaling \$666,133.

NOTE 17 – SUBSEQUENT EVENTS

Management evaluated subsequent events as of June 23, 2023, which is the date these financial statements were available to be issued. No subsequent events have been evaluated for inclusion in the financial statements past this date. Management has noted that there are no additional disclosures or adjustments required to these financial statements.



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
Operation Restoration
New Orleans, LA

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 of the Operation Restoration (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

New Orleans Office: 1100 Poydras Street, Suite 1225/New Orleans, LA 70163/ (504)561-8600

Memphis Office: 1661 International Drive, Suite 400/Memphis, TN 38120/ (901)202-4688

Atlanta Office: 715 Peachtree St. NE, Suite 100/Atlanta, GA 30328/ (678)971-3700

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Luther Speight & Company CPAs
New Orleans, Louisiana
June 23, 2023

**OPERATION RESTORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

Section I — Summary of Auditor's Results

Financial Statements

A 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? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Not applicable for the year ended December 31, 2022 and 2021.

**OPERATION RESTORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

No findings were noted during the year ended December 31, 2022.

**OPERATION RESTORATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

Finding #	Description	Resolved/Unresolved
2021-01	Timely Submission of Audit Report	Resolved
2021-02	General Accounting and Month-End Close Procedures Not Adequate (Material Weakness)	Resolved

**OPERATION RESTORATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021**

Agency Head Name: Syrita Steib, Executive Director

<u>Purpose</u>	<u>2022</u>	<u>2021</u>
Salary	185,000	150,000
Benefits-Insurance	7,471	7,340
Benefits-retirement	4,629	3,519
Benefits-Section 125	-	-
Car allowance	-	-
Vehicle provided by government	-	-
Per diem	-	-
Reimbursements	9,114	951
Travel	-	1,592
Registration fees	-	-
Conference travel	-	-
Continuing professional education fees	-	-
Housing	-	-
Unvouchered expenses	-	-
Special meals	-	-



Luther Speight & Company, LLC
Certified Public Accountants and Consultants

OPERATION RESTORATION

AGREED UPON PROCEDURES REPORT

FOR THE YEAR ENDED DECEMBER 31, 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
Operation Restoration
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 January 1, 2022 through December 31, 2022. Operation Restoration's management is responsible for those C/C areas identified in the SAUPs.

Operation Restoration 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:

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: *We noted no information pertaining to preparing, adopting, monitoring, or amending the budget in the Financial Manual Draft provided by the Entity. LSC did not receive an updated Financial Manual Draft.*

Management's Response: *Carter & Company International is working with the Entity to update the Financial Manual. It should be completed within the next couple of months.*

- 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 appear to appropriately address the required elements above except for how vendors are added to the vendor list, controls to ensure compliance with the public bid law, and documentation required to be maintained for all bids and price quotes.

Management's Response: All vendors are added into QuickBooks once the contract is signed by the vendor and President & CEO.

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

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

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

Results: The Employee Handbook appears to appropriately address the required elements above.

- 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 types of services requiring written contracts, standard terms and conditions, legal review, approval process, and monitoring process noted in Financial Manual Draft PBC document.

Management's Response: All contractors who perform duties on behalf of Operation Restoration are provided with a written contract. The contract is prepared by Innovation & Strategic Partnerships and then sent to the contractor and President & CEO for signature. Once the contract is signed by both parties it is sent over to Finance Support Services to enter the contractor into ADP.

- 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: The written policies and procedures appear to appropriately address the required elements above.

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

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

- 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: *Even though the Financial Manual Draft does contain an IT section describing the proper/expected use of OR Technological property, LSC noted 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.*

Management's Response: *The Entity provided a Statement of Work from their IT provider which appropriately addresses the elements above related to disaster recovery and business continuity.*

- 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: *We noted that Operation Restoration conducts meetings quarterly.*

- 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: *We noted that the Entity reports on the governmental accounting model. The Entity's minutes reference budget-to-actual comparisons. No exceptions noted.*

- 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 no unassigned fund balance in the general fund was observed in prior year audit report.*

- d) 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.

Results: *LSC was unable to observe whether the board/finance committee received written updates of the progress of resolving audit findings, according to management's corrective action plan at each meeting until the findings were considered fully resolved.*

Management Response: *The audit report was provided with financial documentation at the board meeting conducted on April 27, 2023.*

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 December 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 that Operation Restoration has seven bank accounts. We noted that only the Operating Bank Account was reconciled. The bank reconciliation was properly signed (electronically). However, the reconciliation was not done within two months of the related statement closing date.*

Management's Response: *Corrections were needed which required the reconciliation to be undone and re-done once the error was discovered in 2023.*

- 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: We noted that the bank reconciliations showed evidence of review by Kevielle Sanders, who does not handle cash, post ledgers, or issue checks.

- 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 none of Operation Restoration's December 2022 statements 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: LSC noted that any funds received in person or via postal service are received at the administration office located at 1450 Poydras St. Suite #2260, New Orleans, LA 70112. All incoming monies (cash, checks, money orders and/or credit card payments) are accounted for and verified upon receipt by at least 2 staff member – i.e., Executive Director.

- 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: We noted that funds received in person or via postal service are received at the administration office located at 1450 Poydras St. Suite #2260, New Orleans, LA 70112. All incoming monies (cash, checks, money orders and/or credit card payments) are accounted for and verified upon receipt by at least 2 staff members, including the Executive Director.

- a) Employees responsible for cash collections do not share cash drawers/registers.
Results: We noted that the policy and procedure manual does not state that employees should not share cash drawers/registers.

Results: Per management, Operation Restoration does not have 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.

Results: We noted that the policy and procedures manual states that the Bookkeeper enters the day's cash receipts into the computerized account program, and the cash receipts must be ready for deposit no later than Wednesday of each week. The Executive Director prepares the deposit slip for all cash receipts and routes it to the Bookkeeper.

- 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.

Results: We noted that the policy and procedures manual states that the Bookkeeper enters the day's cash receipts into the computerized account program, and the cash receipts must be ready for deposit no later than Wednesday of each week. The Executive Director prepares the deposit slip for all cash receipts and routes it to the Bookkeeper.

- 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.

Results: We noted that the policy and procedures manual have proper segregation of duties, and the Bookkeeper does not collect cash.

- 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: LSC obtained a copy of an insurance policy through Chubb Group of Insurance Companies for Liability and Crime coverages. This policy remained in effect during the 2022 fiscal year, and no claims were submitted during the year.

- 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:

- 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.

Results: We randomly selected two deposit dates for the bank accounts selected for procedure #3 under "Bank Reconciliations" above, obtained supporting documentation and tested the attributes previously stated. There were no exceptions noted.

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: Any payments that are processed in person or via postal service are received at the admin office located at 1450 Poydras St. Suite #2260, New Orleans, LA 70112.

- 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. The Bookkeeper receives all invoices and directs any questions to the appropriate staff person before forwarding invoice for approval to 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.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]

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:
- 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.

Results: We tested the non-payroll disbursements and found no exceptions with the samples.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3(a), 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.

Results: Our examination of disbursements showed no exceptions.

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

12. 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 obtained a listing of all active credit cards and management's representation that the listing is complete.

13. 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.]

Results: We noted that the credit card statements did not show evidence that they were reviewed and approved by someone other than the authorized card holder.

Management's Response: All major purchases have a purchase order attached to it. All employees are required to submit purchase requests to their direct supervisor and their direct supervisor sends it over to finance for purchase once approved. All credit card statements are reviewed by Financial Support Services.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: Finance charges and late fees were not assessed on the card's statements.

14. 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: LSC noted that all transactions had proper receipt support for expenses. However, LSC noted that some transactions did not state Business Purpose.

Management's Response: All transactions are business related. Will make sure to specify on each receipt.

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

15. 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:

- 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).

Results: LSC noted that reimbursements were done per actual costs.

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Results: LSC noted that items that were reimbursed were supported by itemized receipts of what was purchased/expended.

- 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).

Results: LSC noted that most expenses reimbursed during the fiscal year did not provide purpose of business. Operation Restoration Travel Information Form provides employees with a Travel Information Form. However, such form does not have a section to specify "business purpose". In addition, LSC noted that some lodging reimbursement support lacked Travel Information Form and proper authorization.

Management's Response: All travel for employees is business related. We will make a note to include designation of business-related expense, and reason for travel.

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: LSC noted that 80% of our observe selection did not contain proper review and/or approval in writing. LSC was only able to observe itemized invoices as support.

Management's Response: There are three signatures that should be obtained by an employee when requesting travel (Requested by, Booking completed by, Review/Approved by).

Contracts

16. 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: LCS obtained a list of contracts for the fiscal year ended December 31, 2022.

- 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 that contracts have support documentation with proper authorization from the Executive Director Syrita Steib.

- 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: LSC noted no amendments in contracts for FYE 2022.

- 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: We obtained supporting invoices for each of the contracts and agreed the payment to the contract terms without exception.

Payroll and Personnel

17. 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: LSC obtained a listing of employees employed during the fiscal period and management's representation that the listing is complete. We verified that their salary/pay rates agreed with the employees' personnel files.

18. 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: LSC observed employee salary/pay rates in the payroll register provided by the Entity. However, LSC was unable to verify the daily attendance of employees, as no attendance logs were provided. We further observed that leave hours were taken during the year. Per the Entity's management, cumulative records were not available as all leave hours were taken during FYE 2022.

Management Response: Attendance logs weren't available due to Operation Restoration moving to another payroll platform in December of 2022. All payroll detail reports are still available but not the Time and Attendance reports.

19. 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 obtained a list of terminated employees from management and management's representation that the listing is complete. We randomly selected two employees and obtained payroll detail reports for both selections. We noted both former employees accrued vacation time and were compensated for it. We were able to agree the pay rates to the employees' authorized pay rates in the employees' personnel files and agree the termination payments to the Entity's policy. In addition, we reviewed and were able to agree the hours to the employees' cumulative leave records for FYE 2022.

20. 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: No exceptions were noted regarding this requirement.

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

21. 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: There were no misappropriations of funds or assets during the fiscal period.

22. 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: Operation Restoration will post the required notice on its website and on O.R. premises.

Information Technology Disaster Recovery/Business Continuity

23. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**

Results: We performed the following procedures 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 obtained a Statement of Work for the Entity performed by Bellwether Technology Corporation. The Entity contracts Bellwether for professional technological services. All restorations are performed by Bellwether if a device fails. All documents are maintained in Google workspace; Bellwether does not support Google Cloud backup. Management notifies employees of this in the Entity's computer policy agreement..

- 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 obtained a Statement of Work for the Entity performed by Bellwether Technology Corporation. The Entity contracts Bellwether for professional technological services. All restorations are performed by Bellwether if a device fails.

2. 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: *The Entity provided a current computer inventory with their current locations. The Entity uses SentinelOne to protect workspaces from standard malware and viruses. Additionally, the Entity uses QuickBooks, a cloud base accounting software for everyday financial reporting.*

24. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: *We were unable to observe evidence that the selected terminated employees have been removed or disabled from the network.*

Management Response: *Once an employee is terminated, all equipment is given back to Operation Restoration and their email is reset; all access is disabled.*

Sexual Harassment

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

We were engaged by Operation Restoration 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 Operation Restoration 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.



Luther Speight & Company CPAs
New Orleans, Louisiana
June 23, 2023