THE FIRST 72+

FINANCIAL STATEMENTS

DECEMBER 31, 2022

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

THE FIRST 72+

FINANCIAL STATEMENTS

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TABLE OF CONTENTS

Postlethwaite & Netterville
30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com
A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The First 72+

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The First 72+ (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance in connection with its implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 the Organization'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 the Organization'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.

Postlethwaite & Netterville

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head or chief executive officer is 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 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 29, 2023, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2023

THE FIRST 72+
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Current assets:		
Cash	$ 484,752	$ 391,742
Promises to give, current	271,249	263,199
Grant receivable	15,798	15,797
Loans receivable, net of allowance	-	2,548
Deposits	-	2,400
Total current assets	771,799	675,686
Promises to give, net of current portion and unamortized discount	138,695	278,117
Operating lease right-of-use assets	25,100	-
Construction in progress	457,530	127,410
Total assets	$ 1,393,124	$ 1,081,213

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities:		
Accounts payable and accrued expenses	$ 84,137	$ 39,518
Operating lease liability	25,100	-
Notes payable, current portion	80,000	101,145
Total current liabilities	189,237	140,663
Total liabilities	189,237	140,663
Net assets without donor restrictions	543,942	399,234
Net assets with donor restrictions	659,945	541,316
Total net assets	1,203,887	940,550
Total liabilities and net assets	$ 1,393,124	$ 1,081,213

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

THE FIRST 72+

STATEMENTS OF ACTIVITIES
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
REVENUES AND SUPPORT						
Contributions	$ 1,116,004	$ 371,250	$ 1,487,254	$ 950,285	$ 491,316	$ 1,441,601
Grant revenue	109,890	-	109,890	214,264	-	214,264
Contributions of non-financial assets	-	-	-	38,400	-	38,400
Interest income	912	-	912	2,010	-	2,010
Forgiveness of notes payable	101,149	-	101,149	107,000	-	107,000
Net assets released from restriction	252,621	(252,621)	-	552,273	(552,273)	-
Total revenues and support	1,580,576	118,629	1,699,205	1,864,232	(60,957)	1,803,275
EXPENSES						
Program services	1,017,858	-	1,017,858	1,509,380	-	1,509,380
Supporting services:						
Fundraising	160,648	-	160,648	91,782	-	91,782
Management and general	257,362	-	257,362	223,401	-	223,401
Total expenses	1,435,868	-	1,435,868	1,824,563	-	1,824,563
Change in net assets	144,708	118,629	263,337	39,669	(60,957)	(21,288)
NET ASSETS AT BEGINNING OF THE YEAR	399,234	541,316	940,550	359,565	602,273	961,838
NET ASSETS AT END OF THE YEAR	$ 543,942	$ 659,945	$ 1,203,887	$ 399,234	$ 541,316	$ 940,550

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

THE FIRST 72+
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022					2021				
		Supporting Services					Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 425,154	$ 117,523	$ 55,000	$ 172,523	$ 597,677	$ 500,612	$ 93,533	$ 56,000	$ 149,533	$ 650,145
Employee benefits	67,122	11,214	4,627	15,841	82,963	60,127	12,714	5,246	17,960	78,087
Payroll taxes	32,170	10,820	4,052	14,872	47,042	35,277	11,865	4,443	16,308	51,585
Accounting fees	-	8,750	-	8,750	8,750	-	13,260	-	13,260	13,260
Contract services	390	-	-	-	390	8,853	-	-	-	8,853
Exoneree assistance	260,868	-	-	-	260,868	525,620	-	-	-	525,620
Fundraising supplies	-	-	75,272	75,272	75,272	-	-	7,983	7,983	7,983
Insurance	-	26,107	-	26,107	26,107	-	19,260	-	19,260	19,260
Miscellaneous expenses	-	9,076	-	9,076	9,076	-	170	-	170	170
Office operations	77,075	29,291	18,811	48,102	125,177	63,578	13,624	13,624	27,248	90,826
Professional fees	-	19,750	-	19,750	19,750	-	37,000	-	37,000	37,000
Programming	132,094	-	-	-	132,094	297,813	-	-	-	297,813
Lease expense	22,985	9,851	-	9,851	32,836	17,500	7,500	-	7,500	25,000
Repairs and maintenance	-	40	-	40	40	-	4,367	-	4,367	4,367
Service Charges	-	4,233	-	4,233	4,233	-	1,189	-	1,189	1,189
Telecommunications	-	10,707	-	10,707	10,707	-	8,918	-	8,918	8,918
Travel	-	-	2,886	2,886	2,886	-	-	4,486	4,486	4,486
Total expenses	$ 1,017,858	$ 257,362	$ 160,648	$ 418,010	$ 1,435,868	$ 1,509,380	$ 223,400	$ 91,782	$ 315,183	$ 1,824,563

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

		2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$	263,337	$	(21,288)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Bad debt expense		2,548		-
Forgiveness of notes payable		(101,145)		(107,000)
Changes in operating assets and liabilities:				
Promises to give, net		131,372		54,517
Grant receivable		(1)		(9,357)
Deposits		2,400		-
Accounts payable and accrued expenses		44,619		(2,024)
Net cash provided by (used in) operating activities		343,130		(85,152)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property		(330,120)		(127,410)
Net cash used in investing activities		(330,120)		(127,410)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable		80,000		101,145
Net cash provided by financing activities		80,000		101,145
Net increase (decrease) in cash		93,010		(111,417)
Cash, beginning of year		391,742		503,159
Cash, end of year	$	484,752	$	391,742

Non-cash investing and financing activities:

Additions to ROU assets obtained from new operating lease liabilities	$	1,099	$	-

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

The First 72+ ("the Organization") is a 501(c)(3) non-profit organization and was incorporated September 24, 2014 pursuant to the provision of the Louisiana Nonprofit Law, Louisiana R.S. 12:201 – 12:269 (1950 as amended). Effective January 3, 2019, the Organization's name was changed from Rising Foundations to The First 72+ with the Louisiana Secretary of State. The Organization's mission is to stop the cycle of incarceration by fostering independence and self-sustainability through education, stable and secure housing, and employment. Through the leadership and wisdom of formerly incarcerated people themselves, the Organization transforms the re-entry experience into one that builds on the strengths and abilities of people returning home from prison and ensures that they, their families, and their communities are given the greatest opportunity to grow and thrive.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). US GAAP requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

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

Donor-restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2022 and 2021.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2022 and 2021, an allowance was not deemed necessary.

1. Summary of Significant Accounting Policies (continued)

Loans Receivable

Loans receivable are recorded at their outstanding balance. Loans receivable are written off when the loan is deemed uncollectible. The Organization determines the allowance for uncollectable loans receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The allowance for loans receivable was $2,548 at December 31, 2021. The remaining balance of loans receivable was written off during the year ended December 31, 2022.

Leases

The Organization leases office space and information technology equipment. Determination of leases is arranged at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the risk-free rate is used based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Revenue Recognition

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with measurable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

Revenues from government grants are recorded when the Organization has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Organization, or when otherwise earned under the terms of the grants. Amounts received prior to meeting the qualifying conditions and/or incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At December 31, 2022 and 2021, there were no refundable advances. At December 31, 2022 and 2021, revenues approximating $200,000 and $128,900, respectively have not been recognized in the accompanying statements of activities because the conditions on which they depend on have not yet been met.

1. Summary of Significant Accounting Policies (continued)

Contributed Non-Financial Assets

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP.

Contributed non-financial assets are reported as their estimated fair value on the date of receipt and reported as expense when utilized. During the year ended December 31, 2021, the Organization recognized $38,400 of donated office space used for program services which is included in contributed non-financial assets revenue on the statements of activities. The donated office space was valued based on market rates for comparable spaces. No contributed non-financial assets met the criteria prescribed by GAAP for recognition in 2022.

Construction in Progress

Construction in progress includes cost incurred for the building of a new transitional home.

Payroll Protection Program Funding

The Organization has elected to record the proceeds received under this program (see Note 5) in accordance with FASB ASC 470 resulting in the proceeds being reported as a financial liability upon receipt based on the terms as set forth with the financial institution.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts at several financial institutions. The balances, at times, may exceed federally insured limits. The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and are reconciled to the natural classifications in the statement of functional expenses. The majority of direct costs are charged directly to the appropriate program or functional area. Certain costs which benefit more than one functional area have been allocated among the Organization's programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Office operations and rent have been allocated based on time and effort.

Income Taxes

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

Recently Adopted Accounting Policies

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases.* This accounting standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization elected to use the transition option that allows an organization to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment (if any) to the opening balance of net assets in the year of adoption. Comparable periods continue to be presented under the guidance of the previous standard, ASC 840. As a result of the adoption of the new lease accounting guidance, the Organization recognized, on January 1, 2022, a lease liability of $50,733 and a right-of-use asset of $50,733. The standard had a material impact on the statement of financial position but did not have a material impact on the statements of activities, functional expenses and cash flows.

The Organization adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for 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 adoption of this standard has no significant impact on the Organization.

2. Liquidity and Availability

The following represents the Organization's financial assets and those available to meet general expenditures within twelve months as of December 31:

	2022	2021
Financial assets at year end:		
Cash	$ 484,752	$ 391,742
Promises to give, net	409,944	541,316
Grant receivable	15,798	15,797
Loan receivable	-	2,548
Total financial assets	910,494	951,403
Less amounts not available to be used within twelve months:		
Promises to give, net	138,695	278,117
	138,695	278,117
Financial assets available to meet general expenditures over the next twelve months	$ 771,799	$ 670,886

The Organization's goal is to maintain financial assets that will meet three months operating expenses. The Organization also has the ability to open a line of credit if needed to make cash flow needs.

3. Promises to Give

Unconditional promises to give consist of the following as of December 31:

	2022	2021
Promises to give, current	$ 271,249	$ 263,199
Promises to give, non-current, due in one to five years	150,000	300,000
Less unamortized discount	(11,305)	(21,883)
Total unconditional promises to give	$ 409,944	$ 541,316

The effective interest rate used to discount the long-term unconditional promises to give is 3.5% at December 31, 2022 and 2021.

4. Notes Payable

During 2021, the Organization applied for and was approved for a $101,145 Second Draw loan under the Paycheck Protection Program (PPP) administered by the Small Business Administration as part of the relief efforts related to COVID-19. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization was granted full forgiveness of the loan on March 25, 2022.

4. Notes Payable (continued)

In October 2022, the Organization entered into a loan agreement with a related party in the amount of $80,000. The loan has an interest rate of 3.0% compounded monthly for the purpose of paying construction costs. Payments of principal and interest are due starting 90 days after the date of the loan with the goal to repay the loan in full within 18 months.

5. Leases

The Organization has operating leases for two buildings and various information technology equipment. The Organization's three leases have remaining lease terms through December 31, 2023. Pursuant to ASC Topic 842, the Organization used the practical expedient to use the risk-free interest rate instead of the incremental borrowing or discount rate. This rate was based on the United States 1-year Treasury rate as of January 1, 2022. The future minimum lease payments under non-cancellable leases as of December 31, 2022 is $25,100.

The components of lease expense during 2022 was as follows:

Operating lease cost	$	25,249

Other information related to leases during 2022 were as follows:

Supplemental Cash Flows Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	25,249
Weighted Average Remaining Lease Term		
Operating leases		0.99
Weighted Average Discount Rate		
Operating leases		1.04%

6. Net Assets with Donor Restrictions

Total net assets with donor restrictions as of December 31, 2022 and 2021 were $659,945 and $541,316, respectively. These net assets are considered restricted due to time restrictions. In addition, $200,000 of net assets with donor restrictions as of December 31, 2022 is also purpose-restricted for reentry legal services.

7. Economic Dependency

The primary sources of revenues for the Organization are contributions and grants provided by various donors and funding agencies. Continued operations are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding. In 2022, the Organization had one major donor which accounted for approximately 21% of total revenues. In 2021, the Organization had one major donor which accounted for approximately 24% of total revenues.

8. Commitment

In 2021, the Organization entered into a contract for the construction of a new transitional home. The expected total cost of the contract is not to exceed $514,000. As of December 31, 2022, $457,530 has been incurred related to this project.

9. Contingencies

The Organization participates in federal grant programs that are passed through local government agencies which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grant, refunds of any money received and the collectability of any related receivables as of December 31, 2022 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing these grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

10. Related Party Transactions

As described in Note 5, in May 2021, the Organization entered into an agreement with a company for the rental of two buildings. One of the Organization’s Board members is the president of the company. As of December 31, 2022, the operating lease ROU asset and operating lease liability related to this agreement were $24,946 and $24,810, respectively. The weighted average remaining lease term of this agreement is 0.99 year. The total rent expense under these agreements was $25,200 and $8,400 for fiscal 2022 and 2021 respectively.

As described in Note 4, in October 2022, the Organization entered into a loan agreement with the same company.

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2023, and determined that the following matter required additional disclosure in the financial statements. No other subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

THE FIRST 72+

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

YEAR ENDED DECEMBER 31, 2022

Agency Head Name: Chad Sanders, Co-Executive Director

Purpose	Amount
Salary (Contract Payments)	$98,333
Benefits-insurance	$7,752
Reimbursements	$124

Agency Head Name: Tyrone Smith, Co-Executive Director

Purpose	Amount
Salary (Contract Payments)	$77,183
Reimbursements	$100

See independent auditors' report.

Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

<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*</u>

To the Board of Directors
The First 72+

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 First 72+ (the Organization) (a nonprofit organization), 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, and have issued our report thereon dated June 29, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a significant deficiency.

Postlethwaite & Netterville

Report on Compliance and Other Matters

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

The Organization's Response to Findings

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

Purpose of this Report

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

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2023

THE FIRST 72+
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022

Finding 2022-001 Revenues and Receivables

Criteria:

The Organization should have systems of internal accounting controls which ensure that revenues and receivables are presented in accordance with U.S. generally accepted accounting principles (US GAAP).

Condition:

The Organization did not properly account for all contributions and grants revenues on the accrual basis of accounting which resulted in audit adjustments to record receivables and related revenues for revenue earned but not received as of year-end and to reduce revenue and receivables for conditional grants and donations for which the conditions had not been met as of year-end.

Cause:

The Organization did not have a process in place to ensure that contributions and grants revenue were recorded in accordance with US GAAP.

Effect:

As noted, audit adjustments were required to present the current year financial statements in accordance with generally accepted accounting principles.

Recommendation:

We recommend that the Organization implement internal controls and procedures to ensure that promises to give, grants receivable for unreimbursed expenses, and related contributions and grants revenues are properly recorded.

Management's Response:

We agree with the auditors' comments. To address the repetitive findings, management made the decision in June 2023 to engage a fractional CFO that will ensure that the following actions are implemented and enforced to improve the situation and ensure proper cutoff:

- Management will have each copy of the grant agreement/contribution documents support forwarded to the accountant as they are executed.
- The accountant will post the accounts receivable ledger from a copy of the agreement and supporting documents mentioned above, this will allow compliance with the accrual basis accounting for revenues.
- The accountant will then file supporting documents in date order to ensure that subsequent cash receipts are matched to previously filed supporting documents (if applicable) and funds are recorded in the correct period, this will remedy the deficiency related to the completeness assertion.
- The accountant will finally produce an aged accounts receivable report on a monthly basis and review the balances with management, particularly on large and overdue accounts. A cutoff review meeting will be held at the end of the first quarter of the following year with management to go over the first quarter deposits.

THE FIRST 72+
SCHEDULE OF PRIOR YEAR FINDINGS
DECEMBER 31, 2022

Finding 2021-001 Revenues and Receivables

Criteria:

The Organization should have systems of internal accounting controls which ensure that revenues and receivables are presented in accordance with U.S. generally accepted accounting principles (US GAAP).

Condition:

The Organization did not properly account for all contributions and grants revenues on the accrual basis of accounting which resulted in audit adjustments to record receivables and related revenues for revenue earned but not received as of year-end and to reduce revenue and receivables for conditional grants and donations for which the conditions had not been met as of year-end.

Recommendation:

We recommend that the Organization implement internal controls and procedures to ensure that promises to give, grants receivable for unreimbursed expenses, and related contributions and grants revenues are properly recorded.

Status

Not resolved. See repeat finding 2022-001.