



Luther Speight & Company
Certified Public Accountants and Consultants

FAMILY RESOURCES OF NEW ORLEANS, INC.

(A Nonprofit Organization)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2016
AND DECEMBER 31, 2015

FAMILY RESOURCES OF NEW ORLEANS, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
<u>Financial Statements</u>	
Statement of Financial Position — Years Ended	
December 31, 2016 & 2015	3
Statement of Activities — Years Ended	
December 31, 2016 & December 31, 2015	4
Statement of Cash Flows--Years Ended	
December 31, 2016 & December 31, 2015	5
<u>Notes to the Financial Statements</u>	6-12
<u>Supplementary Information:</u>	
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	13-14
Summary of Auditor's Results	15
Schedule of Findings, Questioned Costs & Client Responses	16-28
Status of Prior Audit Findings	29
Schedule of Compensation, Benefits, and Other Payments to Agency Head	30



Luther Speight & Company
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Family Resources of New Orleans, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Family Resources of New Orleans, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and December 31, 2015, and the related statement of activities and cash flows for the years then ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Modified Opinion

The Agency recorded grants receivable totaling \$32,506 for calendar years ended 2016 and 2015; property available for sale for calendar years 2016 and 2015 for \$685,425 and \$789,725; fixed assets for calendar years ended 2016 and 2015 for \$268,444 and \$261,745. The grant receivable, property available for sale and fixed asset balances were not adequately reconciled or supported by source documentation. We were unable to form an opinion regarding the fairness of these balances through alternative procedures.

The Agency recorded liabilities totaling \$611,128 and \$573,364 for calendar years ended 2016 and 2015, which included accrued liabilities and other payables, deferred revenue, loans to related parties and notes payable to financial institutions. These balances were not adequately reconciled or supported by source documentation. We were unable to form an opinion regarding the fairness of these balances through alternative procedures.

Modified Opinion

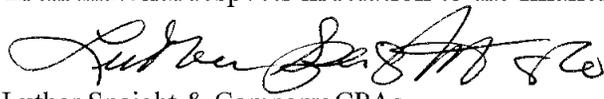
In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Family Resources of New Orleans, Inc., as of December 31, 2016 and December 31, 2015 and the changes in its net assets for the years ended December 31, 2016 and December 31, 2015 and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization's internal control over financial reporting and compliance.

Other Matters

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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Luther Speight & Company CPAs
New Orleans, Louisiana
September 30, 2018

FAMILY RESOURCES OF NEW ORLEANS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 84	\$ 3,810
Grants Receivable	32,506	32,506
Property Available for Sale	685,425	789,725
Security Deposit	140	140
Other Assets	-	8,900
Fixed Assets, net	<u>268,444</u>	<u>261,745</u>
Total Assets	<u>\$ 986,599</u>	<u>\$ 1,096,826</u>
 LIABILITIES & NET ASSETS		
Liabilities		
Accrued Liabilities and Other Payables	186,981	\$ 184,285
Deferred Revenues	13,563	13,563
Loans to Related Parties	36,903	(5,386)
Notes Payable	<u>373,681</u>	<u>380,902</u>
Total Liabilities	<u>611,128</u>	<u>\$ 573,364</u>
 NET ASSETS		
Unrestricted	\$ 375,471	\$ 523,462
Temporarily Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>375,471</u>	<u>523,462</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 986,599</u></u>	<u><u>\$ 1,096,826</u></u>

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

FAMILY RESOURCES OF NEW ORLEANS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>REVENUE AND OTHER SUPPORT</u>						
Federal Grants	\$ 144,114	\$ -	\$ 144,114	\$ 291,500	\$ -	\$ 291,500
Private Contributions	13,187	-	13,187	1,465	-	1,465
Program Service Fees	\$ 12,504	-	12,504	13,463	-	13,463
Interest Income	5	-	5	21	-	21
Sale of Donated Assets	1,308	-	1,308	52,303	-	52,303
Releases from Restrictions	-	-	-	-	-	-
Total Revenues and Other Support	<u>171,118</u>	<u>-</u>	<u>171,118</u>	<u>358,752</u>	<u>-</u>	<u>358,752</u>
<u>EXPENSES</u>						
Program Services	\$ 111,877	\$ -	\$ 111,877	\$ 239,445	\$ -	\$ 239,445
Management and General	61,429	-	61,429	121,314	-	121,314
Total Expenses	<u>173,306</u>	<u>-</u>	<u>173,306</u>	<u>360,759</u>	<u>-</u>	<u>360,759</u>
<u>CHANGE IN NET ASSETS</u>	\$ (2,188)	\$ -	\$ (2,188)	\$ (2,007)	\$ -	\$ (2,007)
Net assets, beginning of year	<u>377,659</u>	<u>-</u>	<u>377,659</u>	<u>525,469</u>	<u>-</u>	<u>525,469</u>
Net asset adjustment	-	-	-	-	-	-
Net assets, end of year	<u><u>\$ 375,471</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 375,471</u></u>	<u><u>\$ 523,462</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 523,462</u></u>

The accompanying notes are an integral part of these financial statements

FAMILY RESOURCES OF NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (141,671)	\$ (1,025,008)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	-	-
(Increase) decrease in operating assets:		
Grants Receivable	154	-
Property Available for Sale	104,300	1,105,593
Other Assets	8,900	0
Increase (decrease) in operating liabilities:		
Payroll Taxes Payable	2,692	-
Other Payables	-	150
Related Party Loans	35,820	(4,637)
Net Cash Provided by Operating Activities	10,195	76,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(6,699)	0
Net Cash Used by Investing Activities	(6,699)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	-	-
Payments on loans	(7,222)	(109,511)
Net Cash Provided/Used by Financing Activities	(7,222)	(109,511)
NET INCREASE IN CASH AND EQUIVALENTS	(3,726)	(33,413)
Cash and cash equivalents - beginning of period	3,810	37,223
Cash and cash equivalents - end of period	\$ 84	\$ 3,810

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

FAMILY RESOURCES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 & 2015

NOTE 1 - ORGANIZATION

Founded in 1997, Family Resources of New Orleans, Inc. (FRNO) is a 501 (c)(3) nonprofit organization. Family Resource of New Orleans, Inc. was established shortly after the welfare to work legislation which mandated that poor families enter the "world of work" for the first time. The organization served as a safety net, providing families with soft skills training they needed to gain employment. Counseling and Case Management helped families to make the transition from "hopeless to hopeful".

Family Resources of New Orleans, Inc.'s mission is to enable and empower families to become self-sufficient. FRNO accomplishes this mission by providing resources that promote affordable housing, rebuilding sustainable communities, and fostering economic well-being.

FRNO offers various services including pre- and post-purchase counseling, rental counseling, credit rehabilitation, homebuyer education, default and foreclosure prevention, self-help housing, and financial literacy.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

Family Resources of New Orleans, Inc. is a non-profit, community-based organization whose 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 and 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 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, Family Resources of New Orleans, Inc. classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted, and permanently restricted net assets according to external (donor) imposed restrictions. A description of these three net asset categories is as follows:

FAMILY RESOURCES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 & 2015

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of Family Resources of New Orleans, Inc. are included in this category. Family Resources of New Orleans, Inc. has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of Family Resources of New Orleans, Inc. and therefore, Family Resources of New Orleans Inc.'s policy is to record those net assets as unrestricted
- Temporarily restricted net assets include realized gains and losses, investment income, gifts and contributions for which donor-imposed restrictions have not been met.
- Permanently restricted net assets are contributions which are required by the donor imposed restriction to be invested in perpetuity; and only the income is made available for program operations in accordance with donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At December 31, 2016 and 2015, Family Resources of New Orleans, Inc. did not have any permanently restricted net assets or temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment of Family Resources of New Orleans, Inc. are recorded as assets and are stated at historical cost if purchased or at fair market value at the date of the gift if donated. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Long-lived assets over \$1,000 are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of assets as follows:

Furniture and Equipment	3-7 Years
Building and Improvements	10 - 27.5 Years

FAMILY RESOURCES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 & 2015

Continued.

Revenue and Other Support

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (e.g., that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Grant revenue is recognized as it is earned in accordance with approved contracts.

Investments

Investments are presented in accordance with requirements established by FASB ASC 320. Under FASB ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Market Risk

Market risk is the risk of losses in positions arising from movements in market prices. Market risk include equity risk, interest rate risk, and currency risk.

Receivables

The organization considers grants receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is in substance unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All promises to give are recognized as assets less an allowance for uncollectible amounts and as revenue.

FAMILY RESOURCES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 & 2015

Continued.

Fair Value of Financial Instruments

Cash, cash equivalents, and temporary investments carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of these instruments. The fair values of marketable securities are based on quoted market prices for these investments.

Cash Equivalents

Family Resource of New Orleans, Inc. considers all cash in demand deposits and investments purchased with a maturity date of three months or less to be cash equivalents.

Subsequent Events

The subsequent events of the corporation were evaluated through the date the financial statements were available to be issued October 17, 2018.

NOTE 4 - CONTRIBUTIONS

Contributions consist of donations made to Family Resources of New Orleans to provide support to the operation as well as to fund specific projects as designated by the donor or the Board of Directors. The total amount of Unrestricted Contributions is \$13,187 and \$1,465 for the years ended 2016 and 2015, respectively.

NOTE 5 - GRANT REVENUES

Family Resources of New Orleans, Inc. is the recipient of several federal awards as disclosed in the schedule of expenditures of federal awards. Included in grant revenue are funds disbursed from several funding sources to provide funds for the implementation of various community programs as well as to support the operations of Family Resources of New Orleans, Inc.. Grants supporting the organization for 2016 and 2015 include the following:

<u>Grantor</u>	<u>2016</u>	<u>2015</u>
United States Department of Agriculture	\$111,500	\$181,686
Home Community Housing Development	-----	56,838
U.S. HUD/United Way SELA	14,170	15,551
U.S. HUD Housing Counseling Program/Louisiana Housing Corp.	<u>18,444</u>	<u>37,425</u>
Total	<u>\$144,114</u>	<u>\$291,500</u>

FAMILY RESOURCES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 & 2015

NOTE 6 - PROPERTIES AVAILABLE FOR SALE

Family Resources of New Orleans, Inc. maintains property available for sale. Disposition of assets for 2016 and 2015 totaled \$104,300 and \$1,105,593, respectively. The inventory of properties is as follows:

<u>Property Description</u>	<u>2016</u>	<u>2015</u>
Boutte Office Building	\$121,719	\$121,719
Claiborne Office	147,000	147,000
104 Buckingham Drive	4,000	4,000
3138 St. Anthony Street	75,000	75,000
Highway 3127 Killona Acreage	180,000	180,000
Casa de Killona-Killonas Acreage	118,896	118,896
Parcel 41059 Downman Rd	----	14,900
Parcel 41060 Downman Rd	----	14,900
Parcel 41061 Downman Rd	----	14,900
Parcel 41062 Downman Rd	----	14,900
Parcel 41063 Downman Rd	----	14,900
Parcel 41064 Downman Rd	----	14,900
Parcel 41065 Downman Rd	----	14,900
4109 S Hermes Street	16,100	16,100
45700 Nina Street	3,500	3,500
Parcel 45676 Delery Street	7,300	7,300
Parcel 54840 Dale Street	7,800	7,800
48872 Gordon Street	4,100	4,100
4766 Evangeline Drive, Lot 205	<u>10</u>	<u>10</u>
Total	<u>\$685,425</u>	<u>\$789,725</u>

FAMILY RESOURCES OF NEW ORLEANS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 & 2015

NOTE 7 - INCOME TAXES

Family Resources of New Orleans is exempt from federal income taxes through Section 501 (c)(3) of the Internal Revenue Code.

NOTE 8 - CONTINGENCY

Family Resources of New Orleans, Inc. is a recipient of several grants and awards of federal funds. These grants and awards are governed by various federal guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants and awards is under the control and administration of Family Resources of New Orleans, Inc. and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

NOTE 9 - LOAN PAYABLE

Loans payable at December 31, 2016 & 2015 consists of the following:

- a) Note payable # 20035081 for \$108,270 payable to First National Bank, USA, dated August 19, 2015 with a variable interest rate of 5.50% for the first 24 payments, and 114 payments at the variable interest rate of 5.75%; the loan matures on February 19, 2027 and is collateralized by Lots 4 & 5 Ellington Addition at 2223 Paul Maillard Road, Boutte, Louisiana 70039;
- b) Note payable #20034851 for \$46,403 payable to First National Bank, USA, dated August 19, 2015 with a variable interest rate of 5.50% for the first 24 payments, and a variable interest rate of 5.75% for the next 84 payments; the loan matures on August 19, 2024 and is collateralized by Lots 4 & 5 Ellington Addition at Boutte, 2223 Paul Maillard Road, Boutte, Louisiana 70039.

FAMILY RESOURCES OF NEW OREANS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 & 2015

NOTE 10 - RELATED PARTY TRANSACTIONS

The Agency's financial statements included notes payable balances that included advances received from multiple board members (related parties) of FRNO and repayments to those related parties. As of December 31, 2016 & 2015, the balances are \$36,903 and (\$5,386). The debit balance of (\$5,386) indicates the improper accounting for the related party transactions.

NOTE 11 – PROGRAM SERVICE FEES

Family Resources of New Orleans, Inc. provides an array of services from first time homebuyer's training, credit counseling, financial fitness, new home construction as well as resources and referrals to other social services organizations. FRNO generates program income for these services. For 2016 and 2015, the amounts totaled \$12,504 and \$13,463.

NOTE 12 - COMPENSATED ABSENCES

FRNO did not record a liability related to amounts due to employee compensated absences. Management determined that these balances are not material.

NOTE 13 - SUBSEQUENT EVENTS

As a subsequent event, we were advised FRNO funding sources are awaiting the release of this report and subsequent audits. The results of the funding sources final determinations has not been resolved to date.

Management evaluated subsequent events as of October 17, 2018. Management determined there are no additional disclosures or adjustments to these financial statements required. These financial statements were available to be issued on October 17, 2018.

NOTE 15 - EMPLOYMENT TAX LIABILITY

FRNO executed installment agreements with the Internal Revenue Service and the State of Louisiana Department of Revenue for outstanding payroll taxes; however, FRNO did not honor these installment agreement; thus, presently, the installment agreements are in default. FRNO did not report the payroll tax liabilities in the financial statements as of December 31, 2016 & 2015; and we were unable to determine the payroll tax liability amounts by performing alternative procedures.



Luther Speight & Company
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
Family Resources of New Orleans, Inc.

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States the financial statements of Family Resources of New Orleans, Inc. (FRNO) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and December 31, 2015; and the related statements of activities for the years ended December 31, 2016 and 2015, and the statement of cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2018.

Internal Control Over Financial Reporting

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

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the accompanying schedule of findings and questioned costs to be material weaknesses. These findings are 2015/16-01, 2015/16-04, 2015/16-05, 2015/16-06, 2015/16-07, 2015/16-08, and 2015/16-10.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. These findings are 2015/16-02 and 2015/16-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FRNO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements: noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2015/16-08, 2015/16-09, and 2015/16-11.

FRNO's Response to Findings

FRNO's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. FRNO's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Luther Speight & Company CPAs

New Orleans, Louisiana

September 30, 2018

FAMILY RESOURCES OF NEW ORLEANS, INC.
SUMMARY OF AUDITOR'S RESULTS
DECEMBER 31, 2016 & 2015

Section I — Summary of Auditor's Results

Financial Statements:

A modified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified?	<input checked="" type="checkbox"/> yes	no
---------------------------------	---	----

Significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	no
--	---	----

Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes	no
---	---	----

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

FINDING# 2015/16-01: Grant Fund Accounting Not Fully Implemented

Criteria:

The financial management system of each non-Federal entity must provide for the following: (1) Identification in its accounts of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass thru entity, if any. (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 2 CFR 200.327 Financial Reporting and 2 CFR 200.328.

Condition:

The FRNO's financial records did not adequately segregate the accounting for grant funds for various programs. We noted that multiple grant funds were grouped in common general ledger accounts.

Cause:

FRNO has not updated its financial reporting system to separately account for each federal award or federal program in accordance with 2 CFR 200.327 and 2 CFR 200.328.

Effect:

FRNO's financial records were not maintained on a basis required by generally accepted accounting principles.

Recommendation:

Management update its financial accounting system to comply with reporting requirements set forth in 2 CFR 200.327 and 2 CFR 200.328.

Management's Response:

FRNO contracts with a third party accounting service to provide monthly general ledgers and bank reconciliations. All bank statements are provided to the third party accounting service and are tagged by the Executive Director, Kelita Pete identifying these expenses and deposits. We will locate and contract with an accounting firm that is knowledgeable of non-profit accounting to comply with the reporting requirements.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-02: Lack of Evidence That Bank Reconciliations Are Reviewed By Management

Criteria:

Best practices for maintaining accountability for grant funds and maintaining adequate accounting records require monthly reconciling all bank account balances with the book balances (general ledger). This assures that (1) all receipts and disbursements are recorded; (2) all transactions clearing the bank are proper and recorded in the general ledger; (3) the reconciled cash balance agrees to the general ledger cash balance.

Condition:

Our examination of the Organization's bank reconciliations indicated that two (2) bank reconciliations for each calendar year 2016 and 2015 were not dated and signed by both the preparer and reviewer/approver.

Cause:

FRNO's accounting procedures did not include evidence of timely review of bank reconciliations for accuracy and completeness by management.

Effect:

We were unable to determine who prepares the monthly bank reconciliations and whether management reviews the bank reconciliations for accuracy and completeness.

Recommendation:

We recommend that all bank reconciliations be signed by the preparer, reviewed by management with approval signatures included.

Management's Response:

All bank statements are provided to a contracted third party accounting service and are tagged by the Executive Director, Kelita Pete identifying these expenses and deposits monthly. All ledgers are reviewed by Executive Director, Kelita Pete and corrections are sent to the accounting service to be corrected. FRNO will have to ensure that all bank reconciliations are provided to management for signature.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-03: Grants Receivable Not Collected

Criteria:

Per Article VII Section 14(A) of the Louisiana Constitution, the organization must make sufficient effort to collect delinquent grants receivable.

Condition:

Our examination of the Organization's outstanding grants receivable reflect an outstanding balance of \$32,506 for calendar years ended 2016 and 2015.

Cause:

The Organization's accounting procedures does not include adequate review of grant receivable balances for accuracy of recordation and timely collection of outstanding grants receivable as required.

Effect:

We were unable to determine if further adjustment to the financial statements are required.

Recommendation:

We recommend that all grant receivable balances be reviewed by management for accuracy and completeness.

Management's Response:

All grants are reviewed for balances; all grants are not always billed for the exact amounts awarded, due to the Louisiana Housing Corporation (LHC) grants being cost reimbursable. FRNO may be awarded an amount by LHC. FRNO may not always bill the grantor for the total amount awarded due to the agency having to expend these funds first and having to submit billings to be reimbursed at a later date.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-04: Property Available For Sale Accounting Inadequate

Criteria:

The organization shall reconcile “monthly” the property available for sale subsidiary ledger to the “monthly” general ledger to determine accuracy, completeness, and valuation. Tracing from property available for sale listing to the property available for sale subsidiary ledger and the general ledger to determine that assets are properly recorded. Vouching from property available for sale subsidiary ledger to the control account to determine that the assets actually exist.

Condition:

Our examination of the Organization’s property available for sale control account noted what appears to be unreconciled differences of \$104,300 in 2016 and \$939,754 in 2015. Thus, it appears that FRNO did not carry forward Property Available For Sale of \$939,754 in 2015 and \$104,300 for 2016. FRNO reported property dispositions of \$104,300 in 2016; however, the New Orleans Property Assessor’s Office presently reflected these properties under the ownership of FRNO.

Cause:

The Organization’s accounting procedures does not ensure that the organization’s property available for sale balances are accurate, complete, and reflect proper valuations.

Effect:

We were unable to determine if further adjustment to the financial statements are required.

Recommendation:

We recommend that FRNO’s Property Available For Sale balances be reviewed by management for accuracy, completeness and proper valuation.

Management’s Response:

FRNO’s property available for sale is reviewed by management and is kept track of on a spreadsheet and proper documentation is provided to the accounting service as property is sold or received. Property that is listed with the New Orleans Assessor’s Office is not always accurate when we have documentation showing that we no longer own a property that is contended in this finding.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-05: Fixed Asset Accounting Not Adequate

Criteria:

Accounting best practices require monthly reconciliation of the property plant and equipment subsidiary ledger to the general ledger control account to determine accuracy, completeness, and valuation of fixed assets. Fixed assets should be properly supported with depreciation schedules and related source documentation. Annual fixed asset inventories should be performed & reconciled to the general ledger.

Condition:

Our examination of the Organization's fixed assets noted that the organization was unable to provide a fixed asset subsidiary ledger, a detailed fixed asset schedule or a depreciation schedule that reconciles to the general ledger's fixed asset balances at 2016 or 2015.

Cause:

The Organization's accounting procedures does not ensure that the organization's fixed asset balances are accurate, complete, and reflect proper valuations.

Effect: We were unable to determine if further adjustment to the financial statements are required.

Recommendation:

We recommend that the control account for fixed asset balances and the property, plant and equipment subsidiary ledger be reviewed by management "monthly" for accuracy, completeness and proper valuation. Fixed asset inventories should be performed annually.

Management's Response:

Fixed asset list will be recorded and provided to accounting service to reconcile with the general ledger. The organization will perform annual inventories.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-06: Accrued Liabilities, Other Payables, Payroll Taxes Payable & Deferred Revenues Are Not Properly Recorded

Criteria:

Accounting best practices require monthly reconciliation of payable subsidiary ledgers to the applicable liability control accounts in the general ledger to determine the accuracy, completeness, and appropriate valuation of FRNO's obligations.

Condition:

Our examination of the Organization's accrued liabilities, other payables, payroll taxes payable and deferred revenues balances were unsupported. The organization was unable to provide accrued liability schedules, other payable schedules, payroll tax liability schedules, and deferred revenue schedules that reconcile to the related general ledger account balances at 2016 or 2015.

Cause:

The Organization's accounting procedures does not ensure that the financial statement balances for accrued liabilities, other payables, payroll taxes payable and deferred revenues are accurate, complete, and reflect proper valuation of obligations.

Effect:

We were unable to determine if further adjustment to the financial statements are required.

Recommendation:

We recommend that accrued liabilities, other payables, payroll taxes payable and deferred revenue balances be reviewed by management "monthly" for accuracy, completeness and proper valuation of obligations.

Management's Response:

FRNO provides bank statements to the third party accounting service. We will have too ensure that the third party service is generating monthly ledgers to properly record accrued liabilities, other payables, payroll taxes payable and deferred revenues.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-07: Notes Payable Are Not Properly Recorded

Criteria:

Accounting best practices require the organization to reconcile its notes payable subsidiary ledgers or notes payable amortization schedules with the general ledger notes payable balances monthly to determine accuracy, existence, occurrence, completeness, obligation and valuation.

Condition:

Our examination of the Organization's notes payable balances were unsupported. The organization was unable to provide notes payable subsidiary ledgers and notes payable amortization schedules that reconcile to the related general ledger control account balances at 2016 or 2015.

Cause:

The Organization's accounting procedures does not ensure that the financial statement balances for notes payable are accurate, complete, and reflect proper obligation amounts. The misstatements appear to relate to inaccurate recordation of interest and principal payments to the general ledger.

Effect:

We were unable to determine if further adjustment to the financial statements are required.

Recommendation:

We recommend that notes payable balances be reviewed "monthly" by management for accuracy, completeness and proper recordation of obligation amounts.

Management's Response:

FRNO provides amortization schedules on notes payables to the third party accounting service.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-08: Inadequate Controls Over Federal Financial Reporting

CRITERIA:

Federal grant accounting standards require that transactions are properly recorded and accounted for in order to permit the preparation of reliable financial statements and Federal reports.

CONDITION:

Because the Family Resources of New Orleans (FRNO) financial reporting system is not adequate to properly account for the reporting of grant costs by federal award or federal program, we were unable to trace cost reported in the Federal Request for Advance or Reimbursements Standard Form 270 to the Agency's financial records.

CAUSE:

Internal controls over the preparation of reliable financial statements and Federal reports were not properly established, implemented and maintained at FRNO's Office.

EFFECT:

Inadequate controls over preparation of reliable financial statements increase the risks of ineligible costs and noncompliance with allowable cost standards.

RECOMENDATION:

We recommend that the Agency provide enhanced oversight over preparation of reliable financial statements and Federal Reports. Management should ensure that financial statements account for grant cost by federal award or federal program.

MANAGEMENT'S RESPONSE:

All Federal Request for Advance or Reimbursements are kept on file at FRNO. These reimbursements are submitted to the State USDA office based on what the consultant and the internal USDA SHARES system determines the amount to be granted. What is approved is deposited into a separate interest bearing account that is not commingled with FRNO's general funds. This account only pays USDA payroll and operating expenses. It is tagged on the general ledger under USDA. Any changes that are made to the Advance request are made based on what the State USDA office says, FRNO will correct the Advance Request and resubmit to the State office.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-09: Payroll Processing Internal Control Procedures Not Adequate

CRITERIA:

Grant requirements provide for adequate internal controls over grant expenditures.

CONDITION:

Family Resources of New Orleans (FRNO) payroll accounting procedures were not adequate to properly account for the reporting of grant payroll costs incurred applicable to grant activities conducted. During our examination we noted the following exceptions:

1. An unreconciled difference of \$6,526.82 between the amounts reported in the 2016 financial statements-\$89,177.92 and amounts reported in the 2016 payroll summary-\$82,651.10.
2. Internal Revenue Service quarterly payroll tax return was unavailable for review for the 4th quarter of 2015.
3. Unpaid federal payroll taxes from the 2nd Quarter, 2010 through the 2nd Quarter, 2013 exceed \$121,432; this amount excludes any possible interest and penalties that may be assessed by the IRS. A defaulted installment agreement with Louisiana Department of Revenue dated September 2, 2014 documents unpaid Corporation Income, Franchise and Withholding Tax of \$24,008 excluding any possible interest and penalties that may be assessed by the Louisiana Department of Revenue.

CAUSE:

Internal controls over payroll processing, payroll reporting, and payroll tax payments to 3rd parties were not properly established, implemented and maintained at FRNO's Office.

EFFECT:

Inadequate controls over payroll costs increase the risks of ineligible costs and noncompliance with allowable cost standards.

RECOMENDATION:

We recommend that the Agency provide enhanced oversight over the payroll accounting function. Management should assure that payroll tax filings are timely; that payroll reporting and the related source documentation are reviewed for accuracy and completeness; and that payroll taxes are remitted to 3rd parties (e.g., Internal Revenue Service & State of Louisiana) as incurred.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

Finding# 2015/16-09: Payroll Processing Internal Control Procedures Not Adequate

(Continued)

MANAGEMENT'S RESPONSE:

In 2016 and 2015, FRNO utilized a 3rd party payroll provider to submit payroll liabilities in a timely manner to the IRS and the Dept of Revenue. Payroll Journals were provided to the third party accounting service to record payroll liabilities in the general ledger. All payroll quarters for 2015 are on file at FRNO. Payroll processing controls will be handled by a third party provider but FRNO will need to find another third party accounting service who is familiar with non-profit accounting.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

FINDING #2015/16-10: GENERAL ACCOUNTING PROCEDURES NOT ADEQUATE

CRITERIA:

Grant requirements provide that accounting for grant funds be adequate to safeguard grant resources and account for grant activities.

CONDITION:

Family Resource of New Orleans, Inc. general accounting procedures were not adequate to fully account for the expenditure of grant funds and prepare accurate financial statements. The exceptions noted during our examination included the following:

1. Other asset amounts are not properly supported with adequate source documentation.
2. Due from related parties (liability) reflected an unreconciled debit balance. The unreconciled debit balance appears to be caused by advances recorded as liabilities.
3. The outstanding tax liabilities due to the Internal Revenue Service and the Louisiana Department of Revenue are not accurately reported in the general ledger as of December 31, 2016 and 2015

CAUSE:

FRNO's accounting function was not adequate.

EFFECT:

Numerous correcting journal entries were proposed during the audit engagement. The audit report opinion was qualified as a result of the accounting errors.

RECOMMENDATION:

We recommend that the Agency upgrade their accounting functions.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

FINDING 2015/16-10: GENERAL ACCOUNTING PROCEDURES NOT ADEQUATE
Continued:

MANAGEMENT'S RESPONSE:

FRNO will find another third party accounting service who is familiar with non-profit accounting.

FAMILY RESOURCES OF NEW ORLEANS, INC.
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CLIENT RESPONSES
DECEMBER 31, 2016 & 2015

FINDING#2015/16-11: AUDIT REPORT NOT SUBMITTED TIMELY

CRITERIA:

Louisiana Revised Statute 24:513 requires that Agencies receiving federal, state, or local government funding from the State of Louisiana submit an independent financial statement engagement to the Louisiana Legislative Auditor's office within six months from their fiscal year end.

CONDITION:

The Agency did not submit its independent audit report within six (6) months after the close of the fiscal years ended 2016 and 2015.

CAUSE:

The organization's audit was not submitted prior to the six (6) month deadline.

EFFECT:

The Agency is not in compliance with the applicable regulations.

RECOMMENDATION:

We recommend FRNO engage an approved certified public accountant on a timely basis and provide oversight to assure the engagement is timely submitted to the Louisiana Legislative Auditor.

MANAGEMENT'S RESPONSE:

FRNO will engage with a CPA to file Legislative Auditors Report as required by the State of Louisiana.

FAMILY RESOURCES OF NEW ORLEANS, INC.
STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 & 2015

Finding No.	Description:	Resolved/Unresolved
2014-01	PAYROLL PROCESSING INTERNAL CONTROL PROCEDURES NOT ADEQUATE	X
2014-02	GENERAL ACCOUNTING PROCEDURES NOT ADEQUATE	X
2014-03	FINDINGS FOR 502 COMPLIANCE REVIEW	X
2012-01	INTERNAL CONTROL AND SEGREGATION OF DUTIES CANNOT ALWAYS BE ACHIEVED	X
2012-02	AGENCY DOES NOT GENERATE COMPLETE AND ACCURATE FINANCIAL STATEMENTS ON A MONTHLY BASIS FOR BOARD OF DIRECTOR REVIEW	X

FAMILY RESOURCES OF NEW ORLEANS, INC.
 SCHEDULE OF COMPENSATION, BENEFITS,
 AND OTHER PAYMENTS TO AGENCY HEAD
 DECEMBER 31, 2016 & 2015

Agency Head Name: Kelita Pete

Purpose	Amount
Salary	\$44,179.56
Benefits-insurance	0.00
Benefits-retirement	0.00
Benefits: Communication Service	N/A
Car allowance	N/A
Vehicle provided by government	N/A
Per diem	0.00
Reimbursements	\$4,359.21
Travel (Mileage)	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	N/A
Unvouchered expenses*	N/A
Special meals	0.00