

PROJECT LAZARUS
AUDITED FINANCIAL STATEMENTS
AND SCHEDULES
FOR THE YEARS ENDED
June 30, 2017 and 2016

PROJECT LAZARUS
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Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER*, CPA, CRFAC
WILSON A. LaGRAIZE, JR., CPA/CFE, CRFAC
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
*A Professional Accounting Corporation

MARY ANNE GARCIA, CPA
WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

Members
American Institute of CPA's
Society of Louisiana CPA's

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project Lazarus

Report on the Financial Statements

We have audited the accompanying financial statements of Project Lazarus (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. 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 auditors' 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 policies 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Lazarus as of June 30, 2017 and 2016, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, reimbursements, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part, 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, reimbursements, benefits, and other payments to agency head and the schedule of expenditures of federal awards are 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 October 27, 2017, on our consideration of Project Lazarus'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 Project Lazarus's internal control over financial reporting and compliance.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 27, 2017

PROJECT LAZARUS
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 750,783	\$ 557,878
Grants receivable	388,300	447,955
Other	9,353	193
Total Current Assets	1,148,436	1,006,026
Property and equipment, net	463,227	455,364
Investments – securities at fair value	228,679	210,387
Art collection prints	4,000	4,000
Total Assets	\$ 1,844,342	\$ 1,675,777

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 13,183	\$ 15,565
Accrued expenses	38,570	34,938
Due to residents	4,207	7,237
Total Current Liabilities	55,960	57,740

NET ASSETS

Unrestricted	1,725,736	1,587,415
Temporarily restricted	62,646	30,622
Total Net Assets	1,788,382	1,618,037
Total Liabilities and Net Assets	\$ 1,844,342	\$ 1,675,777

PROJECT LAZARUS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 910,823	\$ 77,570	\$ 988,393
Pledges and contributions	491,134		491,134
Fundraising	142,506		142,506
Program Income	26,202		26,202
Other support and revenue	13,540		13,540
Dividends and interest	7,837		7,837
Realized and unrealized gain on investments	17,276		17,276
Net assets released from restrictions	<u>45,546</u>	<u>(45,546)</u>	<u>-</u>
 Total revenues and other support	 <u>1,654,864</u>	 <u>32,024</u>	 <u>1,686,888</u>
EXPENSES			
Program services	1,150,360	-	1,150,360
Management and general	323,224	-	323,224
Fundraising	<u>42,959</u>	<u>-</u>	<u>42,959</u>
 Total expenses	 <u>1,516,543</u>	 <u>-</u>	 <u>1,516,543</u>
 CHANGE IN NET ASSETS	 138,321	 32,024	 170,345
 Net assets, beginning of year	 <u>1,587,415</u>	 <u>30,622</u>	 <u>1,618,037</u>
 Net assets, end of year	 <u>\$ 1,725,736</u>	 <u>\$ 62,646</u>	 <u>\$ 1,788,382</u>

PROJECT LAZARUS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Grants and contracts	\$ 1,032,552	\$ 13,000	\$ 1,045,552
Pledges and contributions	554,406	-	554,406
Fundraising	158,142	-	158,142
Program Income	20,990	-	20,990
Other support and revenue	12,020	-	12,020
Dividends and interest	1,851	-	1,851
Realized and unrealized loss on investments	(1,667)	-	(1,667)
Net assets released from restrictions	<u>29,581</u>	<u>(29,581)</u>	<u>-</u>
 Total revenues and other support	 <u>1,807,875</u>	 <u>(16,581)</u>	 <u>1,791,294</u>
EXPENSES			
Program services	1,384,578	-	1,384,578
Management and general	409,327	-	409,327
Fundraising	<u>54,979</u>	<u>-</u>	<u>54,979</u>
 Total expenses	 <u>1,848,884</u>	 <u>-</u>	 <u>1,848,884</u>
 CHANGE IN NET ASSETS	 (41,009)	 (16,581)	 (57,590)
 Net assets, beginning of year	 <u>1,628,424</u>	 <u>47,203</u>	 <u>1,675,627</u>
 Net assets, end of year	 <u>\$ 1,587,415</u>	 <u>\$ 30,622</u>	 <u>\$ 1,618,037</u>

PROJECT LAZARUS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Compensation	\$ 507,713	\$ 176,766	\$ -	\$ 684,479
Employee benefits	82,038	21,211	-	103,249
Payroll taxes	<u>38,073</u>	<u>17,967</u>	<u>-</u>	<u>56,040</u>
 Total compensation and related expenses	 627,824	 215,944	 -	 843,768
OTHER EXPENSES				
Occupancy	210,794	70,264	-	281,058
Maintenance	35,889	-	-	35,889
Supplies (food)	45,118	-	-	45,118
Insurance	54,694	1,869	-	56,563
Depreciation	52,320	-	-	52,320
Utilities	53,352	-	-	53,352
Furniture & equipment	4,005	368	-	4,373
Professional	-	21,493	-	21,493
Annual dinner	-	-	26,876	26,876
Miscellaneous expense	938	1,060	12,741	14,739
Supplies (office)	7,174	3,545	-	10,719
Supplies (janitorial)	10,349	-	-	10,349
Telephone and internet	13,812	807	-	14,619
Employee expenses	2,279	3,609	-	5,888
Wellness	4,641	-	-	4,641
Postage & printing	-	1,907	-	1,907
Building supplies	2,392	-	-	2,392
Advertising	-	81	-	81
Transportation	3,668	-	-	3,668
Security	900	-	-	900
Supplies (medical)	1,729	-	-	1,729
Pest control	4,499	-	-	4,499
Dues and subscriptions	334	526	-	860
Donated services	13,130	-	-	13,130
Gifts	519	37	-	556
Bank charges	-	1,714	-	1,714
Appeal letter	<u>-</u>	<u>-</u>	<u>3,342</u>	<u>3,342</u>
 Total expenses	 <u>\$ 1,150,360</u>	 <u>\$ 323,224</u>	 <u>\$ 42,959</u>	 <u>\$ 1,516,543</u>

PROJECT LAZARUS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Compensation	\$ 584,141	\$ 233,345	\$ -	\$ 817,486
Employee benefits	112,310	29,528	-	141,838
Payroll taxes	<u>46,926</u>	<u>19,541</u>	<u>-</u>	<u>66,467</u>
 Total compensation and related expenses	 743,377	 282,414	 -	 1,025,791
OTHER EXPENSES				
Occupancy	210,794	70,264	-	281,058
Maintenance	45,273	-	-	45,273
Supplies (food)	55,619	-	-	55,619
Insurance	52,263	134	-	52,397
Bad debt	65,367	-	-	65,367
Depreciation	49,779	-	-	49,779
Utilities	46,670	-	-	46,670
Furniture & equipment	20,011	8,788	-	28,799
Professional	-	24,111	-	24,111
Annual dinner	-	-	37,171	37,171
Miscellaneous expense	5,626	5,044	11,828	22,498
Supplies (office)	16,849	5,005	-	21,854
Supplies (janitorial)	17,545	-	-	17,545
Telephone and internet	15,326	801	-	16,127
Employee expenses	1,471	802	-	2,273
Wellness	6,086	-	-	6,086
Postage & printing	-	4,333	-	4,333
Building supplies	5,066	-	-	5,066
Newsletter	-	-	2,691	2,691
Advertising	450	2,219	-	2,669
Transportation	3,581	-	-	3,581
Security	1,800	-	-	1,800
Supplies (medical)	6,369	-	-	6,369
Pest control	3,264	-	-	3,264
Dues and subscriptions	961	894	-	1,855
Donated services	10,425	-	-	10,425
Gifts	606	795	-	1,401
Bank charges	-	3,723	-	3,723
Appeal letter	<u>-</u>	<u>-</u>	<u>3,289</u>	<u>3,289</u>
 Total expenses	 <u>\$ 1,384,578</u>	 <u>\$ 409,327</u>	 <u>\$ 54,979</u>	 <u>\$ 1,848,884</u>

PROJECT LAZARUS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 170,345	\$ (57,590)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	52,320	49,779
Changes in operating assets and liabilities:		
Grants receivable	59,655	73,783
Other assets	(9,160)	3,240
Accounts payable	(2,382)	(868)
Accrued expenses	3,632	(24,462)
Due to residents	<u>(3,030)</u>	<u>(2,409)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	271,380	41,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net of sales	(1,016)	(50,670)
Realized and unrealized (gain) loss on investments	(17,276)	1,667
Purchases of property of and equipment	<u>(60,183)</u>	<u>(71,598)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(78,475)</u>	<u>(120,601)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	192,905	(79,128)
BEGINNING CASH AND CASH EQUIVALENTS	<u>557,878</u>	<u>637,006</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 750,783</u>	<u>\$ 557,878</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the years ended June 30, 2017 and 2016 was \$0.

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of Project Lazarus is to help, heal, and empower people living with HIV/AIDS by focusing on wellness, providing housing and offering important support services. Project Lazarus was formed in 1985 by members of the clergy and lay people in response to the alarming number of young men who were dying of AIDS and had nowhere to live their last days. The Organization was incorporated on January 28, 1988 as a Louisiana corporation. While being a program of the Archdiocese of New Orleans, Project Lazarus maintains its own tax-exempt nonprofit status and has served over 1,000 people in its history. Project Lazarus is the oldest and largest residential facility that provides assisted living to people with HIV/AIDS in the New Orleans Metropolitan Area. The agency, through its history, has acquired significant experience in the provision of housing and supportive services that equip people living with HIV/AIDS with the skills necessary to live a high quality life and take advantage of the medical treatments available to significantly extend their longevity.

Project Lazarus provides respite and hospice care as needed, transitional housing and supportive services which include case management, outpatient alcohol and drug abuse treatment, pastoral counseling and wellness education. Personal care attendants provide 24-hour assistance, cook nutritious meals for the residents and monitor medication adherence. A licensed practical nurse provides supervision in order for the agency to admit individuals who require medical attention. While the focus for many years was to provide a place for people with HIV/AIDS to die, the Organization has evolved to keep track of the advances in medical treatment. This evolution is reflected in the increased number of services used to teach individuals how to live with HIV/AIDS.

The newest program, the Wellness University, is a comprehensive, incentive-based, educational program for people living with HIV/AIDS. The goals are to increase skills necessary to maintain a healthy life with HIV/AIDS while increasing personal empowerment. The majority of the instructors are volunteers secured from the community.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, "Not-for-Profit Entities – Presentation of Financial Statements." Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2017 and 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The accompanying financial statements are presented using the accrual method of accounting. Under this method, revenues are recognized in the period earned and expenses are recognized in the period incurred. Grants are recognized as revenues when the conditions of the grant are considered to have been met. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Donations and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donations and contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated Services

Donated services are reflected as "Other Support and Revenue" in the accompanying statements at their estimated fair values at the date of receipt. Donated services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization receives donated resident counseling and finance services. The amounts reflected in the accompanying financial statements are offset by like amounts included in program services expenses as "donated services". The estimated value of these donated services and the corresponding expenses for the years ended June 30, 2017 and 2016 was \$13,130 and \$10,425, respectively. In addition, a number of volunteers have donated over 4,249 and 5,725 hours to Project Lazarus' program and support services for the years ended June 30, 2017 and 2016, respectively. These donations are not reflected in the financial statements since these services do not meet the criteria for recognition.

Functional Allocation of Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated between program services, management and general, and fundraising expenses based on acceptable unit allocation techniques, such as relative cost proportionality and facility/space usage statistics.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Project Lazarus considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash equivalents include funds on deposit in a pooled cash account at the Archdiocese of New Orleans in the amounts of \$438,736 and \$80,778 as of June 30, 2017 and June 30, 2016, respectively.

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants receivable are comprised primarily of reimbursements from state and local governmental units. Project Lazarus uses the allowance method to account for uncollectible reimbursements. Reimbursements are charged against the allowance when deemed to be uncollectible. The allowance is based on Management's estimate of possible uncollectible reimbursements. Due to reimbursements being due from state and local governmental units with minimal risks of nonpayment, all amounts due are generally considered collectible and therefore no allowance is reflected in these accompanying financial statements at June 30, 2017 and 2016. During the year ended June 30, 2016, \$65,367 of the prior year receivable was deemed uncollectible due to a unique instance where previous management erroneously overstated revenues available under the Housing Opportunities for Persons With AIDS (HOPWA) grant. In 2016, an allowance was recorded, and at year end, the receivable was written off against the allowance. Bad debt expense for the year ended June 30, 2017 is \$0.

Property and Equipment

Property and equipment are recorded at cost. Project Lazarus capitalizes all expenditures for leasehold improvements and equipment in excess of \$5,000; the fair value of donated assets is similarly capitalized.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis upon the following estimated useful lives: furniture and equipment – 5 years and vehicles – 5 years. Leasehold improvements are amortized over the shorter of the life of the improvement (20 years) or the remaining term of the related lease. The lease ends October 31, 2029. (See Note 8).

Tax Status

Project Lazarus is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. Project Lazarus applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities.

As a result of implementing this approach, Project Lazarus has reviewed its tax positions and determined there were no outstanding or retrospective tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities; therefore, implementation of this standard has not had a material effect on the Organization. The Organization's tax returns for the fiscal years ended June 30, 2014, 2015 and 2016 remain subject to examination by taxing authorities. The return for the fiscal year ended June 30, 2017 has not been filed as of the date of the Independent Auditors' Report.

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2017 and 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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. Project Lazarus' estimates include those regarding the fair value of donated materials and services.

Concentrations

Project Lazarus participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that Project Lazarus has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivables as of June 30, 2017 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs for refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and Project Lazarus.

Government grants represent approximately 53% and 57% of Project Lazarus' total revenue and other support for 2017 and 2016, respectively. Project Lazarus receives support from Halloween's in New Orleans, Inc., a nonprofit organization, which represented approximately 1.4% and 3.6% of Project Lazarus' total revenue and other support for 2017 and 2016, respectively.

Project Lazarus maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. At June 30, 2017 and 2016 the total bank balances exceeding federal depository insurance limits were \$514,949 and \$328,043, respectively.

Investments

Investments in securities with readily determinable fair values are recorded at fair value with gains and losses included in the Statements of Activities.

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

Fair value estimates, methods and assumptions for the Organization's financial instruments are that the carrying amounts reported in the Statements of Financial Position are a reasonable estimate of fair value for the years ended June 30, 2017 and 2016.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Advertising Costs

Advertising costs are expense as incurred. The Organization recognized \$81 and \$2,669 of such costs during the years ended June 30, 2017 and 2016, respectively.

Reclassifications

Certain 2016 balances have been reclassified to conform to the 2017 presentation.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 1,954,127	\$ 1,893,944
Furniture and equipment	183,267	183,267
Vehicle	<u>34,084</u>	<u>34,084</u>
	2,171,478	2,111,295
Less accumulated depreciation	<u>(1,708,251)</u>	<u>(1,655,931)</u>
	<u>\$ 463,227</u>	<u>\$ 455,364</u>

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2017 and 2016

NOTE 3 - RESTRICTIONS ON NET ASSETS

Net assets temporarily restricted due to time restrictions were \$62,646 and \$30,622 at June 30, 2017 and 2016, respectively. The funds are restricted for automobile repairs, program services, facility improvements, and the Organization's Wellness University. There were no permanent restrictions on net assets at June 30, 2017 and 2016.

NOTE 4 – INVESTMENTS

Investments totaling \$228,679 and \$210,387 at June 30, 2017 and 2016, respectively, are stated at fair value. Ownership units with a fair value of \$173,294 and \$160,228 at June 30, 2017 and 2016, respectively, are held by the Greater New Orleans Foundation to benefit the Organization. Ownership units with a fair value of \$55,385 and \$50,159 at June 30, 2017 and 2016, respectively, are held in the Archdiocesan investment pool at the Catholic Foundation for the benefit of the Organization. Realized and unrealized gains (losses) on investments are reported net of related investment expenses in the Statements of Activities. The amount of expenses netted with revenues was \$1,798 and \$796 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5 – FAIR VALUE MEASUREMENTS

Under Financial Accounting Standards Board regulations, investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statements of activities.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Accounting Standards Board regulations establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2017 and 2016

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's investments were measured using Level 2 inputs, on a recurring basis, at June 30, 2017 and 2016.

NOTE 6 – FUND RAISING EXPENSE

Total fund raising expenses for 2017 and 2016 were \$42,959 and \$54,979, respectively, which represented 30% and 35% of annual fundraising revenue for those years, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE 7 – EMPLOYEE RETIREMENT PLANS

The Organization offers a 401(k) retirement plan to its employees. Employees electing to participate in the plan are required to contribute a minimum of 3% of their salaries, and may elect to contribute up to a 16% maximum. The plan requires the Organization to contribute 3.5% of the participants' salaries. The retirement plan expense also includes an additional 2% contribution by the Organization to cover plan cost including life insurance and disability insurance for the employees. Any remaining funds from the additional 2% contribution may be used as a discretionary employer contribution to the plan. The plan administrator is the Archdiocese of New Orleans. The plan trustee is Voya. The Organization contributed \$25,357 and \$30,690 for the years ended June 30, 2017 and 2016, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

Project Lazarus occupies five buildings owned by the Archdiocese of New Orleans. The building lease agreement was made in consideration of the activities being conducted on the leased premises, their benefit to the general public and persons afflicted with AIDS. The estimated fair market value of the lease is \$281,058 annually. This benefit to Project Lazarus is recorded as occupancy expense and corresponding contribution revenue in the accompanying Statements of Activities. The current building lease agreement exists through October 31, 2029.

PROJECT LAZARUS
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2017 and 2016

NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

The Archdiocese of New Orleans, through the operations of its Administrative Offices, serves as a conduit in providing insurance coverage to Project Lazarus. The Administrative Office assesses premiums to Project Lazarus based on relevant factors for each type of coverage. In the normal course of operations, the Archdiocese will make available to Project Lazarus specific assistance in the form of internet services. Project Lazarus is assessed separately for this assistance.

The Organization paid the Archdiocese \$54,850 and \$56,973 for general liability, property coverage, workman's compensation, and vehicle insurances for the years ended June 30, 2017 and 2016, respectively. The Organization does not pay the Archdiocese of New Orleans for internet services secured on its behalf.

The Archdiocese of New Orleans also provides support to Project Lazarus to further its mission. These contributions in 2017 and 2016 totaled \$50,000 and \$50,000, respectively.

NOTE 9 – ECONOMIC DEPENDENCY

Project Lazarus receives the majority of its revenue from government grants that are passed through the City of New Orleans. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds Project Lazarus receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will significantly affect the amount of funds Project Lazarus will receive in fiscal year 2018 relating to its grant awards.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which corresponds with the date of the independent auditors' report. No material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER*, CPA, CRFAC
WILSON A. LaGRAIZE, JR., CPA/CFE, CRFAC
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
*A Professional Accounting Corporation

MARY ANNE GARCIA, CPA
WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

Members
American Institute of CPA's
Society of Louisiana CPA's

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

The Board of Directors of Project Lazarus
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Project Lazarus (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 October 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Project Lazarus' 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 Project Lazarus' internal control. Accordingly, we do not express an opinion on the effectiveness of Project Lazarus' 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 did identify a certain deficiency in internal control, described as item 2017-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Lazarus' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Project Lazarus' Response to Findings

Project Lazarus' response to the finding identified in our audit is described in the accompanying schedule of findings and questions costs. Project Lazarus' 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 27, 2017

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER*, CPA, CRFAC
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ERNEST G. GELPI, CPA, CGFM
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors of Project Lazarus
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Project Lazarus' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Project Lazarus' major federal programs for the year ended June 30, 2017. Project Lazarus' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of Project Lazarus' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Project Lazarus' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Project Lazarus' compliance.

Opinion on Each Major Federal Program

In our opinion, Project Lazarus complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Project Lazarus is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Project Lazarus' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Project Lazarus' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
October 27, 2017

PROJECT LAZARUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Passed Through the City of New Orleans:		
Housing Opportunities for Persons With AIDS – 2016*	14.241	\$ 447,834
Housing Opportunities for Persons With AIDS – 2017*	14.241	<u>357,445</u>
		805,279
Passed Through UNITY of Greater New Orleans:		
Supportive Housing Program – 2016	14.235	<u>5,322</u>
		<u>5,322</u>
Total for U.S. Department of Housing and Urban Development		810,601
U.S. Department of Health and Human Services – Health Resources and Services Administration		
Passed Through the City of New Orleans:		
HIV Emergency Relief Project – 2017	93.914	52,762
HIV Emergency Relief Project – 2018	93.914	<u>23,459</u>
Total for U.S. Department of Health and Human Services – Health Resources and Services Administration		76,221
U.S. Department of Homeland Security		
Passed Through the United Way:		
Emergency Food and Shelter National Board Program	97.024	<u>6,500</u>
Total for U.S. Department of Homeland Security		<u>6,500</u>
Total Federal Expenditures		<u>\$ 893,322</u>

* This Program is considered a major program under the Uniform Guidance for the year ended June 30, 2017.

PROJECT LAZARUS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying *Schedule of Expenditures of Federal Awards* includes the federal grant activity of Project Lazarus and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Project Lazarus, it is not intended to and does not present the net position and changes in net position of Project Lazarus. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

The Organization did not pass-through any of its federal awards to a subrecipient during the year ended June 30, 2017.

NOTE 3 – NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the year ended June 30, 2017.

NOTE 4 – INDIRECT COSTS

The Organization did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2017.

PROJECT LAZARUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

I. SUMMARY OF AUDITORS' RESULTS

- a. The type of report issued on the financial statements: Unmodified opinion.
- b. Significant deficiencies in internal controls were disclosed by the audit of the financial statements: Yes. Material weaknesses: None reported.
- c. Noncompliance which is material to the financial statements: None reported.
- d. Significant deficiencies in internal control over major program: None. Material weaknesses: None reported.
- e. The type of report issued on compliance for major program: Unmodified opinion.
- f. Any audit findings which are required to be reported in accordance with the Uniform Guidance: No.
- g. Major Program:
U.S. Department of Housing and Urban Development:
Housing Opportunities for Persons With AIDS CFDA# 14.241
- h. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- i. Auditee qualified as a low-risk auditee under the Uniform Guidance: No.

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

2017-001

Criteria:

Project Lazarus maintains a Fiscal Policies and Procedures Manual which provides authorized policies and internal accounting procedures for the Organization and its personnel regarding cash receipts and donations. Controls over receipts are essential to ensure the safeguarding over cash deposits, as well as the proper accounting of revenues and receivables.

PROJECT LAZARUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
Year Ended June 30, 2017

Condition:

During our testing of cash receipts, we noted the following:

- The Blackbaud Disbursement Detail reports generated from online donations and transactions had no indication it was reviewed by the Executive Director or reconciled to the applicable general ledger.
- One deposit included cash, but there was no documentation of the counting of cash.
- The Finance and Human Resource Director will, in some instances, collect the cash, deposit the funds, and record the transactions into QuickBooks.

Cause:

Due to the turnover of key personnel, including the vacancy of the administrative assistant position, certain policies and procedures were not consistently performed during the year.

Effect:

Without the proper implementation of policies and procedures regarding the handling of cash donations and receipts, the Organization could be at risk for misappropriation of assets, as well as improper accounting of revenues and receivables.

Recommendation

We recommend the Organization follow established policies and procedures to ensure all required cash receipt documentation is complete, accurate, and a review is performed prior to recording and depositing of receipts.

3. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS:

None.

PROJECT LAZARUS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2016-001 Review of Executive Director's Expenditures	Resolved
2016-002 Recording revenues and expenditures in the proper period	Resolved
2016-003 Use of Purchase Orders	Resolved
2016-004 Review of payroll and time off requests	Resolved
2016-005 Procedures over cash receipts (CY 2017-001)	Partially Resolved

SECTION II – FINDINGS RELATED TO QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

None.

SECTION III – MEMORANDUM OF ADVISORY COMMENTS

None.

**Board of Directors
2017 – 2018**

Archbishop Gregory Aymond

Mr. Lance Cardwell
Board Chair

Ms. Marguerite Moiso
Vice Chair

Deacon Ronald Drez
Secretary

Mr. Kenneth L. Jayroe III
Treasurer

Dr. Michele Campisi, MD
Mr. Gregory Domingue
Mr. Tyler Douglas
Mr. Lawrence Henry Gobble
Sr. Judy Gomilla, MSC
Mrs. Madelaine Kuns Bruschini
Very Reverend Philip Landry
Ms. Lorraine Loydrake
Mr. Mark McKeown
Ms. Carly Gervais Pigg
Mr. Jason Waguespack

Mr. John Smestad Jr
Archdiocesan Liaison

Mr. Steve Rivera
Executive Director

Project Lazarus
P.O. Box 3906
New Orleans, LA 70177
(504) 949-3609
www.projectlazarus.net



United Way of
Southeast Louisiana

**CORRECTIVE ACTION PLAN
INTERNAL CONTROL AND COMPLIANCE AND CORRECTIVE ACTION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2017**

October 27, 2017

Louisiana State Legislative Auditor

Independent Public Accounting Firm
Kushner LaGraize LLC
3330 West Esplanade Avenue Suite 100
Metairie, Louisiana 70002

Audit Period: July 1, 2016 – June 30, 2017

Project Lazarus is in receipt of the audit of its financial records during the period July 1, 2016 through June 30, 2017. The management response to the auditor's recommendations may be found below.

2017-001

During our testing of cash receipts, we noted the following:

- Blackbaud Disbursement Detail reports generated from online donations and transactions had no indication it was reviewed by the Executive Director or reconciled to the applicable general ledger.
- One deposit included cash, but there was no documentation of the counting of cash.
- The Finance and Human Resource Manager will, in some instances, collect the cash, deposit the funds, and record the transaction into QuickBooks.

Recommendation:

We recommend the Organization follow established policies and procedures to ensure all required cash receipt documentation is complete, accurate, and a review is performed prior to recording and depositing of receipts.

Management's Corrective Action:

Management accepts the recommendation to follow established policies and procedures regarding cash receipt documentation and the review of cash receipts prior to

**Board of Directors
2017 – 2018**

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United Way of
Southeast Louisiana

recording and depositing. Management has also created a cash receipt form to be used with all cash receipt transactions to help ensure compliance. This form will be included in all cash deposits, which are reviewed and signed off by the Executive Director. The Finance and Human Resources Manager no longer collects any cash, as to create some segregation of duties.



PROJECT LAZARUS
SCHEDULE OF COMPENSATION, REIMBURSEMENTS,
BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: Steve Rivera, Executive Director

Total \$ 0

Kushner LaGraize, L.L.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Project Lazarus
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Project Lazarus (a nonprofit organization) (the Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Written Policies and Procedures

I. Obtain the Entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Entity does not have any written policies and procedures), as applicable:

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

We obtained the Entity's policies on budgeting and noted no exceptions with regard to the preparation, adoption, and monitoring of the budget. However, the Entity does not have specific policies for amending the budget as they do not typically amend the budget.

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.

We obtained the Entity's policies on purchasing and noted no exceptions.

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

We obtained the Entity's policies on disbursements and noted no exceptions. However, we noted the role of Administrative Assistant is vacant.

- d) **Receipts**, including receiving, recording, and preparing deposits.

We obtained the Entity's policies on receipts and noted no exceptions. However, as noted above the role of Administrative Assistant is vacant.

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

We obtained the Entity's payroll and personnel policies and noted no exceptions.

- 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.

We obtained the Entity's policies on contracting and noted no exceptions regarding the types of services requiring written contracts, standard terms and conditions, approval process, and monitoring process. However, we noted no policies regarding legal review of contracts, other than lease agreements the Entity enters into.

- 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, and (5) monitoring card usage.

We obtained the Entity's policies on credit cards and noted no exceptions.

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

We obtained the Entity's policies on travel and expense reimbursements and noted no exceptions.

- 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. Note: Ethics requirements are not applicable to nonprofits.

This section is not applicable to this Entity.

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

This section is not applicable to this Entity.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board of Project Lazarus met monthly, with a quorum present at each meeting, except for the summer break in August 2016 and holiday break in December 2016, when no board meetings were held.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the Entity's prior audit (GAAP-basis).

Included in the minutes of each meeting was a budget-to-actual comparison of the Entity's financial information.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

We noted no deficit spending or a deficit in Net Assets in the monthly board minutes.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We noted the minutes included non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We were provided with the listing showing five deposit accounts.

4. Using the listing provided by management, select all of the Entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

We were provided with reconciliations for each account for every month of the fiscal year, with the exception of a deposit savings account held with the Archdiocese of New Orleans. However, the Executive Director reviewed and approved the monthly statements received on this account from the Archdiocese of New Orleans. This account typically does not have activity other than interest income and there were no reconciling items for eleven out of twelve months of the year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

For the four accounts with reconciliations, they are prepared by the Finance and Human Resource Manager and reviewed by the Executive Director, who is involved with the transactions. However, we noted all checks were signed by two individuals, including a Board member not involved with the transactions.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

There were three checks outstanding for more than 6 months at the end of the fiscal period. Management provided us with documentation showing that they researched these items.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Management provided the listing, showing Project Lazarus only has three cash collection locations, (the main office and two offsite events during the year) and all collections are deposited within the main operating account.

6. Using the listing provided by management, select all of the Entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Management provided the documentation for the selected locations. We noted all employees responsible for collecting the cash are bonded. However, the Finance and Human Resource Manager is responsible for collecting cash, depositing cash in the bank, recording the related transactions, and reconciling the bank account. The Executive Director receives copies of all checks, and reviews and approves deposits and corresponding bank reconciliations. (No employees are required to share the same cash drawer with another employee.)

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the Entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Management provided the documentation for the selected locations and the Entity does have written policies and procedures related to reconciling the cash collections to the general ledger. However, as mentioned above, the Finance and Human Resource Manager is responsible for the cash collections and recording the transactions into the general ledger.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using Entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Management provided the required documentation for the selected deposits. The Entity does not have set policies that dictate the frequency that deposits are to be made. If they receive small donations in the mail, they will hold them in a safe in the Executive Director's office until they collect a sizeable amount to deposit. We noted that deposits were made within 5-12 days of collection, with one cash deposit made 19 days after collection.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Management provided the required documentation for the selected deposits, with the exception of one cash deposit that had no documentation or support regarding the completeness of the collection or the amount deposited. In addition, the Blackbaud online deposits received directly from their website showed no indication of approval or reconciliation to the general ledger.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Entity has a process specifically defined (identified as such by the Entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Management provided the policy manual documenting the process to determine completeness of collections at each location. We noted no exceptions with this policy.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of Entity disbursements from management or, alternately, obtain the general ledger and sort/filter for Entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Management provided the general ledger. We filtered it for disbursements and removed credit card/debit card/fuel card/P-card purchases.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the Entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Project Lazarus's policies and procedures do not require them to prepare purchase orders for recurring or routine transactions. Of the 25 disbursements selected, 11 transactions did not require purchase orders. The remaining 14 disbursements had the required purchase orders, without exception.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

The 14 disbursements with purchase orders showed evidence of approval by a person who did not initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All appropriate documentation was provided for each applicable selection, without exception.

- 10. Using Entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Entity's purchasing/disbursement system.

Due to the size of the Entity, we noted that the Finance and Human Resource Manager responsible for processing payments is not prohibited from adding vendors to the Entity's purchasing system. However, all payments to vendors are approved by the Executive Director and require dual signatures and approvals on all checks.

- 11. Using Entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We obtained the required documentation and noted that the persons with signatory authority are not responsible for initiating or recording purchases.

- 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review Entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We noted all unused checks are kept in a locked cabinet in the Finance and Human Resource Manager's office. She is the only one with a key and does not have signatory authority.

- 13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

N/A – no signature stamps or machines are in use.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

Management provided the required listing, noting 3 credit card users are on one combined statement.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the Entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

We noted evidence on each statement provided that it was approved by someone other than the authorized card holder, without exception.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

We noted no finance charges and/or late fees on the statements provided.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Of the 70 transactions tested, one transaction did not have an original itemized receipt.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Of the 70 transactions tested, we noted 4 transactions which did not include a description of the business purpose.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Of the 70 transactions tested, we noted 4 transactions which did not include purchase orders.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We noted no exceptions in the transactions tested.

- c) For each transaction, compare the Entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no evidence of noncompliance in the transactions tested.

Travel and Expense Reimbursement

- 17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested listing.

- 18. Obtain the Entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Management provided their written policies and we noted no amounts that exceeded GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We noted no exceptions with the Entity's written policies in the selected transactions.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We were provided with an itemized receipt for each of the selected transactions, without exception.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

We noted documentation of the business/public purpose on each of the selected transactions, without exception.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We noted all required documentation was provided with each of the selected transactions, without exception.

- c) Compare the Entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We noted no exceptions in the selected transactions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We noted that all selected transactions showed evidence of review and approval by someone other than the person receiving the reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Management provided the requested listing.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

We were provided with formal/written contracts for each selection, with the exception of insurance purchased through the Archdiocese of New Orleans. As with all other entities under the Archdiocese of New Orleans governance, Project Lazarus is required to purchase insurance through them in order to take advantage of bulk purchase discounts available to the Archdiocese of New Orleans, and therefore, there is no contract or bid documentation for these transactions.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Of the 5 contracts tested, only one of the selected contracts was subject to the Louisiana Public Bid Law and Procurement Code. Although Project Lazarus did not select the lowest bidder for this contract, the bid documentation provided a detailed explanation of why the lowest bidder did not satisfy all of the bid requirements. (No exceptions were noted with legal requirements pertaining to each contract.)

- If no, obtain supporting contract documentation and report whether the Entity solicited quotes as a best practice.

For the contracts not subject to the Louisiana Public Bid Law, the Entity provided documentation of the solicited quotes as a best practice, with the exception of the purchase of insurance through the Archdiocese of New Orleans as explained in 21.a) above.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

We noted no amendments to the contract selected.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We noted no exceptions in the selected invoices.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We noted board approval on all selected contracts, with the exception of the purchase of insurance through the Archdiocese of New Orleans, per the explanation in 21.a), above.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Of the selected employees, we noted no exceptions.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

All changes noted in our selection were approved in writing and in accordance with the Entity's written policy.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the Entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Of the selected employees, we noted no exceptions related to documentation of daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Supervisory approvals were noted on all selections, without exception.

- c) Report whether there is written documentation that the Entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Written leave records were noted for all selections, without exception.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

We obtained the requested list from management, noting only one employee eligible for termination payments. We noted no exceptions in the support for the termination payment made during the period.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We noted no exceptions with regards to payroll taxes and retirement contributions for the fiscal period.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Entity maintained documentation to demonstrate that required ethics training was completed.

N/A – Project Lazarus is a nonprofit Entity and is excluded from completing the ethics training.

27. Inquire of management whether any alleged ethics violations were reported to the Entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Per inquiry of management, there were no alleged ethics violations reported to the Entity during the fiscal period.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the Entity, and report whether State Bond Commission approval was obtained.

No debt was issued during the fiscal period.

29. If the Entity had outstanding debt during the fiscal period, obtain supporting documentation from the Entity and report whether the Entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The Entity had no outstanding debt during the fiscal period.

30. If the Entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The Entity had no tax millages related to debt service.

Other

31. Inquire of management whether the Entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the Entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Entity is domiciled.

Per discussion with management, there were no funds or assets misappropriated during the period.

32. Observe and report whether the Entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed the notice required by R.S. 24:523.1 posted on the Entity's premise and website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

N/A – no exceptions noted.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

Kushner LaGraize, L.L.C.

October 27, 2017