

*Financial Report*

*Liberty's Kitchen, Inc.*

*December 31, 2019*



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**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

December 31, 2019 and 2018

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,  
Liberty's Kitchen, Inc.,  
New Orleans, Louisiana.

We have audited the accompanying financial statements of Liberty's Kitchen, Inc. ("Liberty") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

### **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. 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 Liberty'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 Liberty'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 Liberty as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information in Schedule 1 is presented for the purposes of additional analysis, as required by Louisiana Revised Statute 24:513(A)(3), and is not a required part of the financial statements. Such information in Schedule 1 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. Such information in Schedule 1 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 in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited Liberty's financial statements, and our report dated June 20, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for year ended December 31, 2018 is consistent, in all material respects, with the 2018 audited financial statements from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 23, 2020, on our consideration of Liberty's internal control over financial reporting and on our test 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 the 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 Liberty's internal control over financial reporting and compliance.



Certified Public Accountants.

New Orleans, Louisiana,  
June 23, 2020.

**STATEMENT OF FINANCIAL POSITION**

**Liberty's Kitchen, Inc.**

New Orleans, Louisiana

December 31, 2019

(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,133,747	\$ 706,307
Accounts receivable	42,442	42,579
Grants receivable	184,011	970,958
Inventory	22,451	31,343
Prepays and other assets	37,646	38,659
Property and equipment, net	<u>1,100,508</u>	<u>1,353,883</u>
Total assets	<u><u>\$2,520,805</u></u>	<u><u>\$3,143,729</u></u>
<b>Liabilities</b>		
Accounts payable	\$ 56,761	\$ 74,219
Accrued expenses	112,742	129,768
Notes payable, net of origination fees of \$0 and \$757 for the years ending December 31, 2019 and 2018, respectively	<u>684,778</u>	<u>777,094</u>
Total liabilities	<u>854,281</u>	<u>981,081</u>
<b>Net Assets</b>		
Without donor restrictions	1,001,101	555,093
With donor restrictions	<u>665,423</u>	<u>1,607,555</u>
Total net assets	<u>1,666,524</u>	<u>2,162,648</u>
Total liabilities and net assets	<u><u>\$2,520,805</u></u>	<u><u>\$3,143,729</u></u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****Liberty's Kitchen, Inc.**  
New Orleans, LouisianaFor the year ended December 31, 2019  
(with comparative totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Totals	2018 Totals
<b>Revenues and Support</b>				
Private grants	\$ 275,516	\$ 197,534	\$ 473,050	\$ 1,183,040
Restaurant sales	710,710	-	710,710	742,430
Contract sales	-	-	-	537,127
Government grants	566,306	-	566,306	458,767
Contributions	279,469	-	279,469	233,681
Catering sales	195,983	-	195,983	187,345
Contributions in-kind	144,083	-	144,083	130,260
Special events, net	100,294	-	100,294	124,698
Other	14,638	-	14,638	36,043
Net assets released from restrictions	1,139,666	(1,139,666)	-	-
Total revenues and support	<u>3,426,665</u>	<u>(942,132)</u>	<u>2,484,533</u>	<u>3,633,391</u>
<b>Expenses</b>				
Program services	2,278,675	-	2,278,675	3,195,244
Supporting services:				
General and administration	432,977	-	432,977	440,392
Fundraising	269,005	-	269,005	180,039
Total expenses	<u>2,980,657</u>	<u>-</u>	<u>2,980,657</u>	<u>3,815,675</u>
<b>Change in Net Assets</b>	446,008	(942,132)	(496,124)	(182,284)
<b>Net Assets</b>				
Beginning of year	555,093	1,607,555	2,162,648	2,344,932
End of year	<u>\$ 1,001,101</u>	<u>\$ 665,423</u>	<u>\$ 1,666,524</u>	<u>\$ 2,162,648</u>

See notes to financial statements.



**STATEMENT OF FUNCTIONAL EXPENSES****Liberty's Kitchen, Inc.**  
New Orleans, LouisianaFor the year ended December 31, 2019  
(with comparative totals for 2018)

	2019					Totals	General and Administration	Fundraising	Totals	2018 Totals
	Youth Development Program	Poydras Cafeteria	School Nutrition Program	Refresh Café & Catering	Healthy Corner Store Collaborative					
Salaries and wages	\$ 452,513	\$234,812	\$ -	\$149,903	\$21,009	\$ 858,237	\$168,705	\$179,915	\$1,206,857	\$1,520,533
Cost of sales	-	261,058	-	136,343	1,043	398,444	-	-	398,444	787,784
Occupancy	89,233	100,374	-	62,472	-	252,079	48,931	24,884	325,894	319,898
Training programs	208,137	9	-	43	-	208,189	14	-	208,203	194,776
Operating costs	22,259	9,191	-	19,997	109	51,556	64,510	12,224	128,290	120,132
Employee benefits	55,553	23,367	-	13,455	72	92,447	14,997	19,805	127,249	140,731
Food service operations	8,496	40,313	-	57,833	-	106,642	5,038	2,504	114,184	119,074
Payroll taxes	38,458	4,412	-	29,906	2,042	74,818	14,230	14,575	103,623	137,039
Special event expenses	27	-	-	-	-	27	-	91,634	91,661	87,775
Professional fees	24,757	5,470	-	10,072	-	40,299	31,398	7,456	79,153	126,944
Interest expense	-	38	-	46	-	84	21,589	-	21,673	42,387
Development expense	1,041	2,317	-	1,399	-	4,757	62	7,642	12,461	24,403
Other expenses	59	144	-	291	-	494	-	-	494	28,848
<b>Totals</b>	<b>900,533</b>	<b>681,505</b>	<b>-</b>	<b>481,760</b>	<b>24,275</b>	<b>2,088,073</b>	<b>369,474</b>	<b>360,639</b>	<b>2,818,186</b>	<b>3,650,324</b>
Depreciation	190,031	-	-	-	-	190,031	63,344	-	253,375	251,612
Amortization	598	-	-	-	-	598	159	-	757	1,514
<b>Total expenses</b>	<b>1,091,162</b>	<b>681,505</b>	<b>-</b>	<b>481,760</b>	<b>24,275</b>	<b>2,278,702</b>	<b>432,977</b>	<b>360,639</b>	<b>3,072,318</b>	<b>3,903,450</b>
Less special events netted with revenues	(27)	-	-	-	-	(27)	-	(91,634)	(91,661)	(87,775)
<b>Total expenses on Statement of Activities</b>	<b>\$1,091,135</b>	<b>\$681,505</b>	<b>\$ -</b>	<b>\$481,760</b>	<b>\$24,275</b>	<b>\$2,278,675</b>	<b>\$432,977</b>	<b>\$269,005</b>	<b>\$2,980,657</b>	<b>\$3,815,675</b>

See notes to financial statements.

**STATEMENT OF CASH FLOWS****Liberty's Kitchen, Inc.**  
New Orleans, LouisianaFor the year ended December 31, 2019  
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (496,124)	\$ (182,284)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization expense	757	1,514
Depreciation expense	253,375	251,612
Decrease (increase) in assets:		
Accounts receivable	137	111,910
Grants receivable	786,947	92,897
Inventory	8,892	26,448
Prepaid expenses	3,101	(349)
Increase (decrease) in liabilities:		
Accounts payable	(17,458)	(170,958)
Accrued expenses	(19,114)	(25,822)
	<u>520,513</u>	<u>104,968</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	<u>-</u>	<u>(32,045)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from lines of credit	-	472,347
Payments on line of credit	-	(360,869)
Proceeds from notes payable	-	96,938
Payments on notes payable	<u>(93,073)</u>	<u>(48,855)</u>
	<u>(93,073)</u>	<u>159,561</u>

**Exhibit D  
(Continued)**

	<u>2019</u>	<u>2018</u>
<b>Net Increase in Cash and Cash Equivalents</b>	427,440	232,484
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>706,307</u>	<u>473,823</u>
End of year	<u><u>\$1,133,747</u></u>	<u><u>\$ 706,307</u></u>
<b>Supplemental Information</b>		
Cash paid during the year for interest	<u><u>\$ 21,673</u></u>	<u><u>\$ 42,387</u></u>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Prepaid expenses in accrued expenses	<u><u>\$ 23,421</u></u>	<u><u>\$ 21,333</u></u>
Line of credit paid off through new notes payable	<u><u>\$ -</u></u>	<u><u>\$ 361,478</u></u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

December 31, 2019 and 2018

**Note 1 - NATURE OF ACTIVITIES**

Liberty's Kitchen, Inc. (a non-profit organization) ("Liberty") was established on May 2, 2008. Liberty is a social enterprise whose mission is to transform the lives of New Orleans' youth by providing a path to self-efficiency through food service based training, leadership, and employment programs.

Liberty's Youth Development Program provides opportunity youth, ages sixteen through twenty-four, with the opportunity to build a better future by increasing their ability to change their situation and engage in a supportive community where they learn life, social, and employability skills in a culinary setting. The intensive training program combines hands-on food-service training with classroom instruction, individual case management, education programs, and job placement services and/or a return to an education setting.

Liberty creates pathways for youth ages sixteen through twenty-four to create and accomplish their vision of success. Liberty began with a dream to support New Orleans youth in achieving self-sufficiency. Liberty launched its Youth Development Program (YDP) in 2009 with only two students. Since then, Liberty has served over 650 disconnected youth who have put themselves on a positive path through life skills, education, and hospitality-based workforce training.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Basis of Accounting**

The financial statements of Liberty are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**b. Basis of Presentation**

Liberty reports information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets of Liberty and changes therein are classified and reported as follows:

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Basis of Presentation (Continued)**

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions**- Net assets subject to donor-imposed stipulations that will be met either by action of Liberty and/or the passage of time, or net assets subject to donor-imposed stipulations that are maintained in perpetuity by Liberty.

**c. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**d. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, Liberty considers all short-term highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

**e. Accounts Receivable**

Accounts receivable consists primarily of unsecured amounts due from various customers. Management closely monitors outstanding receivable and estimates an allowance for uncollectible receivables based on prior experience. Balances that are determined to be uncollectible are written off. All accounts are considered fully collectible by management. Accordingly, no provision for doubtful accounts is considered necessary.

**f. Promises to Give**

Unconditional promises to give are recognized when the donor makes a promise to give to Liberty that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2019 and 2018, Liberty did not have any promises to give.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Inventory**

Food inventory is valued at the lower of cost or net realizable value determined by the first-in, first-out method.

**h. Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation. Donations of property and equipment are recorded as contributions in-kind at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the use of the donated asset to a specific purpose. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Liberty follows a policy of capitalizing all expenditures of property and equipment in excess of \$500. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related depreciable assets which range from five to seven years.

**i. Debt Issuance Costs**

Liberty capitalizes costs related to the loan financing and amortizes these costs over the life of the loan. Total debt issuance costs were \$7,570 as of December 31, 2019 and 2018. Accumulated amortization was \$7,570 and \$6,813 as of December 31, 2019 and 2018, respectively. Amortization expense was \$757 and \$1,514 for the years ending December 31, 2019 and 2018, respectively.

**j. Contributions and Revenue Recognition**

Contributions are recorded as assets with donor restrictions or assets without donor restrictions, depending on the existence or nature of any donor restrictions.

Support that is restricted by a donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Liberty recognizes revenue on contract, restaurant, and catering food sales when sales are earned and measurable.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k. Donated Services of Volunteers**

Donated services have not been reflected in the financial statements since no objective basis is available to measure the value of such services. A substantial number of volunteers donate significant amounts of their time in Liberty's program and supporting services.

**l. Methods Used for Allocation of Expenses**

Most of the expenses can be directly allocated to one of the programs or supporting functions. The financial statements also report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and operating costs which are allocated based on facility square footage. Salaries and wages, employee benefits, and payroll taxes are allocated on the basis of estimates of time and effort.

**m. Income Taxes**

Liberty has received a letter of determination from the Internal Revenue Service advising that it qualifies as a non-profit corporation under Section 501 (c)(3) of the Internal Revenue Code, and therefore, is not subject to income tax.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended December 31, 2016 and later remain subject to examination by the taxing authorities. As of December 31, 2019, management of Liberty believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Recently Issued Accounting Standards

**Contributions Received and Contributions Made**

During the year, Liberty adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*" (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contributions, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider does receive commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending December 31, 2019 are presented under FASB ASU 2018-08. There was no material impact to the financial statements as a result of the adoption of this standard.

**Statement of Cash Flows**

In November 2016, the FASB issued ASU No. 2016-18, "*Statement of Cash Flows*" (Topic 230). ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows. The amendments in ASU No. 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. Accordingly, adoption of this accounting pronouncement had no effect on the Statement of Cash Flows for the year ended December 31, 2019.



**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. Recently Issued Accounting Standards (Continued)**

**Revenue from Contracts with Customers**

In May 2014, FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*", which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU 2014-09, FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The revenue standard is now effective for annual reporting periods beginning after December 15, 2019, with certain early adoption provisions available. Liberty is currently evaluating the full effect that the adoption of this standard will have on the financial statement.

**Leases**

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statement of Activities and the Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Liberty is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**o. Subsequent Events**

Liberty evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 23, 2020, which is the date the financial statements were available to be issued. (See Note 14.)

**Note 3 - CONCENTRATION OF CREDIT RISK**

Liberty maintains cash accounts at several financial institutions located in southeast Louisiana. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 as of December 31, 2019. As of December 31, 2019, approximately \$880,000 was uninsured.

**Note 4 - GRANTS RECEIVABLE**

The balance of grants receivable, which are all deemed collectible by management, totaled \$184,011 and \$970,958 as of December 31, 2019 and 2018, respectively. Liberty has discounted the value of future grants receivables by using an effective interest rate of 5%.

The details of grants receivable as of December 31, 2019 and 2018 are as follows:

	2019	2018
Department of Children and Family Services	\$114,011	\$130,125
Annie E. Casey Foundation	50,000	-
United Way	20,000	-
Conrad N. Hilton Foundation	-	350,000
W.K. Kellogg Foundation	-	333,000
Methodist Health System Foundation	-	111,983
Zemurray Foundation	-	30,000
Edward Wisner	-	20,000
Institute of Mental Hygiene	-	12,500
	184,011	987,608
Less discount	-	(16,650)
Totals	\$184,011	\$970,958
	2019	2018
Amounts due in:		
Less than one year	\$184,011	\$654,608
One to five years	-	333,000
Totals	\$184,011	\$987,608

**Note 5 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2019 and 2018 consists of the following:

	2019	2018
Leasehold improvements	\$1,707,090	\$1,707,090
Furniture and fixtures	131,159	131,159
Machinery and equipment	414,996	414,996
Capital improvements	49,732	49,732
Less accumulated depreciation	(1,202,469)	(949,094)
	\$1,100,508	\$1,353,883

Depreciation expense was \$253,375 and \$251,612 for the years ended December 31, 2019 and 2018, respectively.

**Note 6 - LINE OF CREDIT**

Liberty renewed an unsecured line of credit with a local financial institution on June 17, 2019 that provided borrowings up to \$150,000. The line of credit bears interest at a rate equal to 1-month LIBOR plus 3.75% (5.50% and 6.21% as of December 31, 2019 and 2018, respectively). The note requires monthly interest only payments and matures on June 16, 2020. There was no outstanding balance on the line of credit as of December 31, 2019 and 2018.

On June 17, 2019, Liberty renewed a line of credit with a local financial institution that provided borrowings up to \$300,000. The line of credit bears interest at a rate equal to Wall Street Journal prime rate plus 1.50% as of December 31, 2019 and 2.62% as of December 31, 2018 (6.25% and 8.12% as of December 31, 2019 and 2018, respectively). The note requires monthly interest only payments and matures on June 16, 2020. The line of credit is secured by all furniture, fixtures, and receivables. There was no outstanding balance on the line of credit as of December 31, 2019 and 2018.

**Note 7 - NOTES PAYABLE**

On November 21, 2018, Liberty executed a promissory note in the amount of \$500,000 with a private foundation to consolidate debt and to provide working capital. The agreement provides for payments of interest only quarterly at 2% of \$2,500 per quarter with a balloon payment of \$500,000 due November 21, 2023. The note was unsecured. The outstanding balance of the note as of December 31, 2019 and 2018 was \$500,000.

**Note 7 - NOTES PAYABLE (Continued)**

On May 24, 2017, Liberty executed a promissory note for \$311,762 with a local financial institution to refinance the remaining balance of the Capital Impact Partners note. The agreement provides for payments of principal plus interest at 4.8% of \$3,287 per month with a balloon payment of approximately \$120,000 due on May 24, 2024. The loan is secured with property and equipment maintained at the leased building. The outstanding balances of the note as of December 31, 2019 and 2018 was \$184,778 and \$271,601, respectively.

On March 3, 2017, Liberty executed a promissory note for \$30,000 with a local financial institution to purchase a delivery van #1. The agreement provided for payments of principal plus interest at 4.75% of \$564 per month and was scheduled to mature on March 3, 2022. The loan was secured with the delivery van. On December 21, 2018, the note was paid in full with proceeds from the November 21, 2018 note payable.

On April 19, 2017, Liberty executed a promissory note for \$30,000 with a local financial institution to purchase a delivery van #2. The agreement provided for payments of principal plus interest at 4.75% of \$564 per month and was scheduled to mature on April 19, 2022. The loan was secured with the delivery van. On December 21, 2018, the note was paid in full with proceeds from the November 21, 2018 note payable.

On February 14, 2017, Liberty executed a promissory note in the amount of \$25,000 to the sublessor for the build-out of café space associated with the sublease at its Poydras St. location. The note requires quarterly principal payments of \$2,083; no interest rate is applied, and matured on February 25, 2020. The \$25,000 represented Liberty's portion of the build-out, with the remaining build-out costs of \$80,000 being provided by the sublessor. The note was paid in full on August 25, 2019. The outstanding balances of the note as of December 31, 2018, was \$6,250.

Future maturities of the notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2020	\$ 28,591
2021	29,973
2022	31,422
2023	532,942
2024	61,850
	<u>\$684,778</u>

**Note 7 - NOTES PAYABLE (Continued)**

Total interest expense incurred on the notes payable and lines of credit for the years ended December 31, 2019 and 2018 totaled \$21,057 and \$33,128, respectively. Other interest expense totaled \$784 and \$9,259 for the years ended December 31, 2019 and 2018, respectively.

**Note 8 - IN-KIND DONATIONS**

Liberty records the value of in-kind donations when the services received (a) create or enhance nonfinancial assets; or (b) require specialized skills which would typically need to be purchased if not provided by donation.

The fair value of in-kind support for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Rent	\$ 100,375	\$ 100,260
Special event accommodations	20,000	20,000
Advertising services	8,000	10,000
Professional services	8,000	-
Auction items	7,708	-
Totals	\$ 144,083	\$ 130,260

**Note 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31, 2019 and 2018 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
Programs:		
Youth development program	\$620,961	\$1,554,220
Healthy corner store collaborative	14,462	23,335
Total programs	635,423	1,577,555
Subject to the passage of time:		
For periods after December 31, 2019 and 2018	30,000	30,000
Total restricted net assets	\$665,423	\$1,607,555

**Note 10 - OPERATING LEASES**

Liberty leases facility space and equipment under operating lease agreements with expiration dates of November 14, 2021 and July 15, 2024, respectively. The minimum future payments for the facility space lease, including pass-through expenses, and equipment lease required for the succeeding years are as follows:

<u>Year Ending December 31,</u>	<u>Facility Base Rent</u>	<u>Equipment</u>
2020	\$178,148	\$2,040
2021	178,148	1,870
2022	178,148	-
2023	178,148	-
2024	96,495	-
Thereafter	-	-
	<u>\$809,087</u>	<u>\$3,910</u>

On February 14, 2017, Liberty entered into an operating sublease agreement for café space and equipment. The sublease commenced on April 17, 2017 and expires on April 17, 2020. The sublease continues for consecutive 1 year terms from year to year thereafter until termination. The sublease requires no monthly rent payments, and Liberty will recognize in-kind revenue and expense for the market value of the sublease. As of the years ended December 31, 2019 and 2018, Liberty recognized \$100,375 and \$100,260, respectively, in-kind revenue associated with the sublease.

During the years ended December 31, 2019 and 2018, Liberty incurred rent expense of \$277,505 and \$267,386, respectively.

**Note 11 - AVAILABILITY OF FINANCIAL ASSETS**

As part of Liberty liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Liberty has lines of credit in the amount of \$450,000.

**Note 11 - AVAILABILITY OF FINANCIAL ASSETS (Continued)**

Liberty receives grants and contributions with donor time and purpose restrictions. In addition, Liberty generates revenue and receives support without donor restrictions.

Contributions without donor restrictions, café revenue, fundraising events, facility rentals, and miscellaneous income are considered to be available to meet cash needs for general expenditures. General expenditures include program services, general and administrative, and fundraising expenses. Annual operations are defined as activities occurring during, and included in the budget for, the upcoming fiscal year.

The following table represents financial assets available for general expenditures within one year as of December 31, 2019:

Financial assets as of December 31, 2019:	
Cash and cash equivalents	\$1,133,747
Accounts receivable	42,442
Grants receivable, net	<u>184,011</u>
Total financial assets, as of December 31, 2019	
	1,360,200
Less amounts unavailable for general expenditures within one year, due to contractual or donor imposed restrictions:	
Purpose or time restricted net assets	<u>(665,423)</u>
Financial assets available to meet cash needs for general expenditures within one year	
	<u>\$ 694,777</u>

**Note 12 - RISK MANAGEMENT**

Liberty is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and employee injuries. Commercial insurance coverage is purchased for claims arising from such matters. There were no settlement claims that exceeded this commercial coverage during the years ended December 31, 2019 and 2018.

**Note 13 - BOARD OF DIRECTORS' COMPENSATION**

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any Board member for the years ended December 31, 2019 and 2018.

**Note 14 - SUBSEQUENT EVENTS**

The recent global outbreak of the Coronavirus (COVID-19) has raised concerns regarding business and the financial markets have recently experienced significant volatility. While Liberty has been immediately impacted by the adverse conditions in the financial markets, the long term impact on Liberty's business is uncertain at this time.

Liberty is following the guidelines of the Louisiana Department of Health along with federal and state of Louisiana guidelines as they relate to COVID-19. Administrative staff have been working remotely due to the stay-at-home work order by the state and are being paid. In addition, non-administrative staff have not been working. In early May, six non-administrative staff began working approximately 1-2 days a week. To assist with cash flow, Liberty has received a Payroll Protection Program (PPP) loan in the amount of \$274,400 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the federal government. The Organization will request forgiveness of the PPP loan during 2020 based upon the forgiveness criteria outlined in the PPP loan program.



**SUPPLEMENTAL INFORMATION**

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

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

For the year ended December 31, 2019

**Agency Head Name:** Dennis Bagneris, Executive Director

**Purpose**

Salary	\$ 0
Benefits - insurance	0
Benefits - retirement	0
Benefits - other	0
Car allowance	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
	<hr/>
	<u>\$ 0 *</u>

Note:  
None of the Executive Director's salary, benefits, and other compensation is paid through public funding received from the State of Louisiana.

**SPECIAL REPORTS BY CERTIFIED PUBLIC ACCOUNTANTS**

**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,  
Liberty's Kitchen, Inc.,  
New Orleans, Louisiana.

We have audited, 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, the financial statements of Liberty's Kitchen, Inc. ("Liberty"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Liberty's basic financial statements, and have issued our report thereon dated June 23, 2020.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting 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 a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Liberty's financial statements are free of 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*.

### **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 Liberty's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,  
June 23, 2020.

## SCHEDULE OF FINDINGS AND RESPONSES

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

For the year ended December 31, 2019

### **Section I - Summary of Auditor's Results**

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? \_\_\_ Yes X None reported

Noncompliance material to financial statements noted? \_\_\_ Yes X No

b) Federal Awards

Liberty did not receive federal awards in excess of \$750,000 during the year ended December 31, 2019 and, therefore, is exempt from the audit requirements under the *Uniform Guidance*.

### **Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

#### **Internal Control Over Financial Reporting**

There were no findings noted during the audit for the year ended December 31, 2019 related to internal control over financial reporting.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements (Continued)**

**Compliance and Other Matters**

No compliance findings material to the financial statements were reported during the audit for the year ended December 31, 2019.

**Section III - Internal Control and Compliance Material to Federal Awards**

**Internal Control/Compliance**

Liberty did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

**REPORTS BY MANAGEMENT**



## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

For the year ended December 31, 2019

### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

#### **Internal Control Over Financial Reporting**

No internal control over financial reporting findings, material to the financial statements, were reported during the audit for the year ended December 31, 2018.

#### **Compliance and Other Matters**

No compliance findings, material to the financial statements, were reported during the audit for the year ended December 31, 2018.

### **Section II - Internal Control and Compliance Material to Federal Awards**

Liberty did not expend federal awards in excess of \$750,000 during the year ended December 31, 2018 and, therefore, is exempt from the audit requirements under the *Uniform Guidance*.

### **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2018.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**ON CURRENT YEAR FINDINGS**

**Liberty's Kitchen, Inc.**  
New Orleans, Louisiana

For the year ended December 31, 2019

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters  
Material to the Basic Financial Statements**

**Internal Control Over Financial Reporting**

There were no findings noted during the audit for the year ended December 31, 2019 related to internal control over financial reporting.

**Compliance and Other Matters**

There were no findings noted during the audit for the year ended December 31, 2019 related to compliance and other matters.

**Section II - Internal Control and Compliance Material to Federal Awards**

Liberty did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and, therefore, is exempt from the audit requirements under the *Uniform Guidance*.

**Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2019.

**STATEWIDE AGREED UPON PROCEDURES (R.S. 24:513)**

**INDEPENDENT ACCOUNTANT'S REPORT ON**  
**APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors,  
Liberty's Kitchen, Inc.,  
New Orleans, Louisiana.

We have performed the procedures described in Schedule 4, which were agreed to by Liberty's Kitchen, Inc. ("Liberty") 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 year ended December 31, 2019. Liberty's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. 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 referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are as follows:

**Procedures Performed on Liberty's Written Policies and Procedures:**

1. Obtain and inspect Liberty's written policies and procedures and observe that they address each of the following categories and subcategories.

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

Performance: Obtained and read the written policy for budgeting, and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

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.

Performance: Obtained and read the written policy for purchasing, and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Written Policies and Procedures: (Continued)**

- c) Disbursements, including processing, reviewing, and approving.  
Performance: Obtained and read the written policy for disbursements, and found it to address all the functions listed above.  
Exceptions: There were no exceptions noted.
- d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue.  
Performance: Obtained and read the written policy for receipts, and found it to address all the functions listed above.  
Exceptions: There were no exceptions noted.
- e) Payroll/Personnel, including (1) payroll processing; and (2) reviewing and approving time and attendance records, including leave and overtime worked.  
Performance: Obtained and read the written policy for payroll and personnel, and found it to address all the functions listed above.  
Exceptions: There were no exceptions noted.
- 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.  
Performance: Obtained and read the written policy for contracting, and found it to address all functions listed above.  
Exceptions: There were no exceptions noted.
- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled; (2) allowable business uses; (3) documentation requirements; (4) required approvers of statements; and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).  
Performance: Obtained and read the written policy for credit cards, and found it to address all functions listed above.  
Exceptions: There were no exceptions noted.
- h) Travel and Expense Reimbursement, including (1) allowable expenses; (2) dollar thresholds by category of expense; (3) documentation requirements; and (4) required approvers.  
Performance: Obtained and read the written policy for travel and expense reimbursement, and found it to address all functions listed above.  
Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Written Policies and Procedures: (Continued)**

- 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 Liberty's ethics policy.

Performance: Obtained and read the written policy for ethics, and found it to address all functions listed above.

Exceptions: There were no exceptions noted.

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

Performance: This procedure is not applicable since Liberty is a not-for-profit entity.

- k) Disaster Recovery/Business Continuity, including (1) identification of critical date and frequency of data backups; (2) storage of backups in a separate physical location isolated from the network; (3) periodic testing/verification that backups can be restored; (4) use of antivirus software on all systems; (5) timely application of all available system and software patches/updates; and (6) identification of personnel, processes, and tools needed to recover operations after critical event.

Performance: Obtained and read the written policy for disaster recovery/business continuity, and found it to address all functions listed above.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Board:**

- 2. Obtain and review the board minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:

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

Performance: Obtained and read the written minutes of board and committee meetings.

Liberty's board meets quarterly.

Exceptions: There were no exceptions noted.

- b) Observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Performance: Liberty is a non-profit entity so this step is not applicable

**Procedures Performed on Liberty's Board: (Continued)**

- c) Obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Performance: Liberty is a non-profit entity so this step is not applicable

**Procedures Performed on Liberty's Bank Reconciliations:**

- 3. Obtain a listing of Liberty's bank accounts from management and management's representation that the listing is complete. Management will identify the main operating account. Select Liberty's main operating account and select four additional accounts (or all accounts if less than five). Select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

- a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);

Performance: Observed that bank reconciliations were prepared within two months of the related statement closing date.

Exceptions: There were no exceptions noted.

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and.

Performance: Observed that a member of management reviewed each bank reconciliation.

Exceptions: There were no exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Performance: Bank reconciliation observed did not contain reconciling items that have been outstanding for more than 12 months from the statement closing date.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Collections:**

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. Select five deposit sites (or all deposit sites if less than five).

Performance: Obtained the listing of collection locations from management, and received management's representation in a separate letter. Liberty has one deposit site with one collection location.

Exceptions: There were no exceptions noted.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Select one collection location for each deposit site (i.e., collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Performance: Obtained the listing of deposit sites from management and management's representation in a separate letter that is complete.

Exceptions: There were no exceptions noted.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Performance: Inspected policy manuals and inquired of management as to whether employees do not share cash drawers/registers.

Exceptions: There were no exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

Performance: Inspected policy manuals and inquired of management as to whether employees collecting cash are not responsible for making deposits.

Exceptions: There were no exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Performance: Inspected policy manuals and inquired of management employees collecting cash do not make general ledger postings.

Exceptions: There were no exceptions noted.



**Procedures Performed on Liberty's Collections: (Continued)**

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Performance: Inspected policy manuals and inquired of management employees collecting cash do not make general ledger postings.

Exceptions: There were no exceptions noted.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Performance: Obtained an insurance policy that covers all employees who have access to cash.

Exceptions: There were no exceptions noted.

7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Procedures performed on Liberty's bank reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates selected and select a deposit if multiple deposits were made on the same day). Obtain supporting documentation for each of the ten deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Performance: Obtained supporting documentation for the ten selected deposits and observed that receipts were sequentially pre-numbered.

Exceptions: There were no exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Performance: Traced supporting documentation to the deposit slip.

Exceptions: There were no exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Performance: Traced deposit slip total to actual deposit per bank statement.

Exceptions: There were no exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).

Performance: Observed that the deposit was made within one business day of receipt.

Exceptions: Although all government funds are received via direct deposit the deposit contained several checks that were received greater than one day.

**Procedures Performed on Liberty's Collections: (Continued)**

- e) Trace the actual deposit per the bank statement to the general ledger.

Performance: Traced the actual deposit per the bank statement to the general ledger.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):**

8. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Select five locations (or all locations if less than five).

Performance: Obtained the listing of locations that process payments, and representation that the listing is complete from management. Liberty only has one location that processes payments.

Exceptions: There were no exceptions noted.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if Liberty has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Performance: Obtained a listing of those employees involved in non-payroll purchasing and payments functions, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Performance: Inspected policy manuals and inquired of management as to requirement listed above.

Exceptions: There were no exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Performance: Inspected policy manuals and inquired of management as to requirement listed above.

Exceptions: There were no exceptions noted.

- c) The employees responsible for processing payments are prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: Inspected policy manuals and inquired of management as to requirement listed above.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)**

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Performance: Inspected policy manuals and inquired of management duties of mailing signed checks.

Exceptions: There were no exceptions noted.

10. For each location selected under #8 above, obtain Liberty's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Select five disbursements for each location, obtain supporting documentation for each transaction and:

Performance: Obtained Liberty's general ledger for the fiscal period, and obtained management's representation in a separate letter.

Exceptions: There were no exceptions noted.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Performance: Observed that the checks and the related original invoices/billing statements were in agreement.

Exceptions: There were no exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Performance: Obtained the disbursement documentation and observed for proper segregation of duties as listed under #9 above.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Credit Cards, Debit Cards, Fuel Cards, P-Cards:**

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards ("cards") for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Performance: Obtained a listing of all active credit cards and bank debit cards and management's representation that the listing is complete.

Exception. There were no exceptions noted.

12. Using the listing prepared by management, select five cards (or all cards if less than five) that were used during the fiscal period, rotating cards each year. Select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:

**Procedures Performed on Liberty's Credit Cards, Debit Cards, Fuel Cards, P-Cards:  
(Continued)**

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Performance: Observed that the monthly statement was reviewed and approved by someone other than the authorized card holder.

Exceptions: There were no exceptions noted.

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

Performance: Observed that finance charges and/or late fees were not assessed on the selected statements.

Exceptions: There were no exceptions noted.

13. Using the monthly statements or combined statement selected under #12 above, excluding fuel cards, select ten transactions (or all transaction if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have ten transactions subject to testing).

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

- 1) An original itemized receipt that identifies precisely what was purchased.

Performance: Observed original itemized receipts that identify precisely what was purchased.

Exceptions: There were no exceptions noted.

- 2) Written documentation of the business/public purpose.

Performance: Observed that there was written documentation of the business/public purpose.

Exceptions: There were no exceptions noted.

- 3) Documentation of the individuals participating in meals (for meal charges only).

Performance: Observed that there were no meal charges on the statements selected.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Travel and Travel-Related Expense Reimbursements:**

14. Obtain from management a listing of all travel and related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

Performance: Management noted that there were no travel related expense reimbursements during the fiscal period.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

Performance: Not applicable in the current year.

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

Performance: Not applicable in the current year.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).

Performance: Not applicable in the current year.

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

Performance: Not applicable in the current year.

**Procedures Performed on Liberty's Contracts:**

15. Obtain a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Select five contracts (or all contracts if less than five) from the listing, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Performance: Inquired of management and noted that Liberty did not initiate or renew any contracts during the fiscal period.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Contracts: (Continued)**

- b) Observe that the contract was approved by the governing body/of Liberty if required by policy or law.

Performance: Inquired of management and noted that Liberty did not initiate or renew any contracts during the fiscal period.

Exceptions: There were no exceptions noted.

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.

Performance: Inquired of management and noted that Liberty did not initiate or renew any contracts during the fiscal period.

Exceptions: There were no exceptions noted.

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

Performance: Inquired of management and noted that Liberty did not initiate or renew any contracts during the fiscal period.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Payroll and Personnel:**

16. Obtain a listing of employees during the fiscal period and management's representation that the listing is complete. Select five employees, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: Obtained listing of employees and management's representation that listing is complete. Inspected personnel files for the five employees selected and agreed paid salaries to authorized pay rates in the personnel files.

Exceptions: There were no exceptions noted.

17. Select one pay period during the fiscal period. For the five employees selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Performance: Observed that all employees selected documented their daily attendance.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Payroll and Personnel: (Continued)**

- b) Observe that supervisors approved the attendance and leave of the selected employees.  
Performance: Observed that supervisors approved the attendance and leave of the selected employees.  
Exceptions: There were no exceptions noted.
- c) Observe that any leave accrued or taken during the pay period is reflected in Liberty's cumulative leave records.  
Performance: Observed that leave accrued or taken during the pay period is reflected in Liberty's cumulative leave records.  
Exceptions: There were no exceptions noted.

18. Obtain from management a list of those employees that received termination payments during the fiscal period and management's representation that the list is complete. Select two employees, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees' cumulative leave records, and agree the pay rates to the employees authorized pay rates in the employees' personnel files.

Performance: Obtained a listing of terminated employees and management's representation that the list is complete. Obtained documentation of pay rates used in management's termination payment calculations and agreed to the cumulative leave records and pay rates in personnel files.

Exceptions: There were no exceptions noted.

19. Obtain management's representation that the employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Performance: Obtained management's representation that all payroll related forms have been filed by the required deadlines.

Exceptions: There were no exceptions noted.

**Procedure Performed on Liberty's Ethics:**

20. Using the five selected employees/officials, obtain ethics compliance documentation from management and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Performance: Obtained documentation for the five selected employees that demonstrates that each employee completed one hour of ethics training during the fiscal period.

Exceptions: There were no exceptions noted.

**Procedure Performed on Liberty's Ethics: (Continued)**

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read Liberty's ethics policy during the fiscal period.

Performance: Obtained documentation for the five selected employees that demonstrates that each employee attested through signature verification that he or she had read Liberty's ethics policy during the fiscal period.

Exceptions: There were no exceptions noted.

**Procedures Performed on Liberty's Debt Service:**

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond District approval was obtained for each bond/note issued.

Performance: This procedure is not applicable since Liberty is a not-for-profit entity.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Performance: This procedure is not applicable since Liberty is a not-for-profit entity.

**Other Procedures Performed on Liberty:**

23. Obtain a listing of misappropriations of public funds or assets during the fiscal period, and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that Liberty reported the misappropriation(s) to the legislative auditor and district attorney of the parish in which Liberty is domiciled.

Performance: Inquired of management of any misappropriations of public funds or assets.

Exceptions: There were no exceptions noted.

24. Observe and report whether Liberty 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.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inquired and observed such notice posted on the premises.

Exceptions: There were no exceptions noted.

**Management's Overall Response to Exceptions:**

1. As a response to exception reported at 7d), management will make deposits within one day of receipt.



**(Continued)**

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 these 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 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 23:513, this report is distributed by the LLA as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants

New Orleans, Louisiana,  
June 23, 2020.