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**NAMI New Orleans, Inc.**

***Financial Statements***

**June 30, 2017**

**With summarized comparative  
information for June 30, 2016**

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# NAMI New Orleans, Inc.

## Table of Contents

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<b>Independent Auditor’s Report</b> .....	1
<b>Financial Statements</b>	
Statement of Financial Position .....	4
Statement of Activities and Changes in Net Assets .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	8
<b>Notes to Financial Statements</b> .....	9
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards.....	20
Notes to Schedule of Expenditures of Federal Awards .....	21
Schedule of Compensation, Benefits, and Other Payments to Executive Director.....	22
<b>Statewide Agreed-Upon Procedures Required by Louisiana State Law</b>	
Independent Accountant’s Report on Applying Agreed-Upon Procedures .....	23
<b>Reports Required by <i>Government Auditing Standards</i></b>	
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 <i>Government Auditing Standards</i> .....	32
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	34
Schedule of Findings and Questioned Costs.....	36
Management’s Responses and Corrective Action Plan .....	40
Summary Schedule of Prior Year Findings .....	43

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## **Independent Auditor's Report**

To the Board of Directors  
NAMI New Orleans, Inc.  
New Orleans, Louisiana

We have audited the accompanying financial statements of NAMI New Orleans, Inc. ("NAMI"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NAMI'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 NAMI'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 opinions.

## **Opinions**

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

## **Report on Summarized Comparative Information**

Other auditors have previously audited NAMI's 2016 financial statements, and their report dated December 29, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Emphasis of a Matter**

As described in Note 2 to the financial statements, NAMI made four corrections to prior period balances. Accordingly, beginning net assets was restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements of NAMI. The accompanying schedule of expenditures of federal awards and schedule of compensation, benefits, and other payments to executive director is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards and the schedule of compensation, benefits, and other payments to executive director are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 accompanying schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statewide agreed-upon procedures report, as required by Louisiana state law and referred to in our Independent Accountant's Reports on Applying Agreed-Upon Procedures, is presented for purposes of additional analysis and is not a required part of the financial statements. The statewide agreed-upon procedures report has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors  
NAMI New Orleans, Inc.  
New Orleans, Louisiana

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2017, on our consideration of NAMI'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 the 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 NAMI's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pinell J. Martineau, LLC". The signature is written in a cursive, flowing style.

Covington, Louisiana  
December 30, 2017

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# *Financial Statements*

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**NAMI New Orleans, Inc.**  
**Statement of Financial Position**  
**June 30, 2017**  
**(with summarized comparative information as of June 30, 2016)**

	2017	2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 251,522	\$ 152,761
Cash and cash equivalents - restricted	49,992	55,885
Investments	917,068	849,630
Accounts receivable	313,137	351,433
Grants receivable	284,840	49,658
Due from related party	3,738	-
Prepaid expenses	5,672	9,530
	<u>1,825,969</u>	<u>1,468,897</u>
<b>Fixed Assets</b>		
Property and equipment, net	590,518	582,682
<b>Noncurrent Assets</b>		
Security deposits	1,056	3,123
Restricted assets held in charitable remainder trust	215,459	212,831
	<u>216,515</u>	<u>215,954</u>
	<u>\$ 2,633,002</u>	<u>\$ 2,267,533</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accrued expenses	\$ 61,113	\$ 47,124
Funds held on behalf of clients	49,992	55,416
Line of credit	83,000	-
	<u>194,105</u>	<u>102,540</u>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	41,472	39,105
Liability under unitrust agreement	49,950	49,413
	<u>91,422</u>	<u>88,518</u>
	<u>285,527</u>	<u>191,058</u>
<b>Net Assets</b>		
Unrestricted	2,181,967	1,913,057
Temporarily restricted	165,508	163,418
	<u>2,347,475</u>	<u>2,076,475</u>
	<u>\$ 2,633,002</u>	<u>\$ 2,267,533</u>

*See accompanying notes to financial statements.*

**NAMI New Orleans, Inc.****Statement of Activities and Changes in Net Assets****For the Year Ended June 30, 2017****(with summarized comparative information for the year ended June 30, 2016)**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
<b>Revenues, Gains, and Other Support</b>				
Grants and contributions	\$ 1,266,771	\$ -	\$ 1,266,771	\$ 791,593
Fees for services	1,754,827	-	1,754,827	1,513,808
Management fees	49,207	-	49,207	20,977
Membership dues	91,525	-	91,525	60,420
Fundraising	119,067	-	119,067	153,458
Investment income(loss)	67,646	-	67,646	(10,178)
Change in split interest agreement	-	2,090	2,090	(9,348)
Other income	5,701	-	5,701	602
	<u>3,354,744</u>	<u>2,090</u>	<u>3,356,834</u>	<u>2,521,332</u>
<b>Expenses</b>				
Program services				
Case management	526,665	-	526,665	551,911
Housing	462,926	-	462,926	240,370
Supervised adult independent living	243,355	-	243,355	289,762
Drop-in center	42,562	-	42,562	49,181
Rehabilitation	609,297	-	609,297	492,135
Education	86,118	-	86,118	54,238
Uptown friendship club	99,937	-	99,937	95,684
Womanspace	491,686	-	491,686	13,529
Finally home	123,346	-	123,346	123,814
Mental health court	30,802	-	30,802	56,663
	<u>2,716,694</u>		<u>2,716,694</u>	<u>1,967,287</u>
Supporting services				
Fundraising	36,310	-	36,310	90,874
Management and general	332,829	-	332,829	346,344
	<u>369,139</u>	<u>-</u>	<u>369,139</u>	<u>437,218</u>
	<u>3,085,833</u>	<u>-</u>	<u>3,085,833</u>	<u>2,404,505</u>
<b>Increase in net assets</b>	268,911	2,090	271,001	116,827
Net assets, beginning of year, as previously stated	1,811,540	163,418	1,974,958	2,263,797
Prior period adjustments	101,516	-	101,516	(304,149)
<b>Net assets, end of year</b>	<u>\$ 2,181,967</u>	<u>\$ 165,508</u>	<u>\$ 2,347,475</u>	<u>\$ 2,076,475</u>

*See accompanying notes to financial statements.*

**NAMI New Orleans, Inc.**  
**Statement of Functional Expenses – Program Services**  
**For the Year Ended June 30, 2017**  
**(with summarized comparative information for the year ended June 30, 2016)**

	Case Management	Housing	Supervised Adult Ind. Living	Drop-in Center	Rehabilitation	Education	Uptown Friendship Club	Womanspace	Finally Home	Mental Health Court	Program Services Total	2016 Total
Client assistance	\$ -	\$ 178,390	\$ -	\$ -	\$ -	\$ 350	\$ -	\$ -	\$ 86,513	\$ -	\$ 265,253	\$ 189,063
Salaries and related expenses	442,649	248,135	197,273	28,817	375,991	62,592	65,548	409,787	27,123	27,300	1,885,215	1,416,345
Training and conferences	541	325	180	1,180	1,475	3,756	135	450	45	500	8,587	4,919
Travel	28,278	16,373	18,350	-	3,810	1,059	-	4,552	3,502	1,000	76,924	69,800
Lease expenses	16,440	-	-	-	-	-	-	-	-	-	16,440	40,515
Insurance	15,120	8,228	6,045	1,039	11,958	-	3,850	13,001	3,049	1,050	63,340	44,035
Office supplies	1,995	598	1,907	1,683	10,222	8,264	5,793	21,075	457	322	52,316	32,212
Telephone and internet	5,822	1,854	6,558	409	5,728	20	1,779	5,831	427	360	28,788	25,254
Utilities	628	2,214	1,956	209	7,636	19	4,206	-	771	-	17,639	17,632
Repairs and maintenance	438	705	1,584	2,402	8,045	19	6,345	-	456	-	19,994	20,320
Depreciation	1,102	-	3,893	6,368	16,370	-	10,194	-	-	-	37,927	29,686
Bad debts	-	-	-	-	114,906	-	-	27,311	-	-	142,217	-
Administrative expenses	-	-	-	47	405	3,974	-	-	98	-	4,524	3,497
Professional fees	11,242	5,834	5,531	408	49,054	6,065	2,034	8,404	725	270	89,567	73,089
Event expenses	-	-	-	-	-	-	-	-	-	-	-	-
Revenue share	-	-	-	-	-	-	-	-	-	-	-	-
Dues and subscriptions	-	270	-	-	300	-	-	1,250	180	-	2,000	753
Advertising	43	-	78	-	-	-	-	25	-	-	146	150
Miscellaneous expenses	2,367	-	-	-	3,397	-	53	-	-	-	5,817	17
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 526,665</u>	<u>\$ 462,926</u>	<u>\$ 243,355</u>	<u>\$ 42,562</u>	<u>\$ 609,297</u>	<u>\$ 86,118</u>	<u>\$ 99,937</u>	<u>\$ 491,686</u>	<u>\$ 123,346</u>	<u>\$ 30,802</u>	<u>\$ 2,716,694</u>	<u>\$ 1,967,287</u>

See accompanying notes to financial statements.

**NAMI New Orleans, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**  
**(with summarized comparative information for the year ended June 30, 2016)**

	Program Services Total	Support Services			2017 Total Expenses	2016 Total Expenses
		Fundraising	Management and general	Total Support Services		
Client assistance	\$ 265,253	\$ -	\$ -	\$ -	\$ 265,253	\$ 205,206
Salaries and related expenses	1,885,215	16,651	277,211	293,862	2,179,077	1,739,647
Training and conferences	8,587	-	4,142	4,142	12,729	10,219
Travel	76,924	84	419	503	77,427	71,012
Lease expenses	16,440	1,306	-	1,306	17,746	15,915
Insurance	63,340	-	2,010	2,010	65,350	47,521
Office supplies	52,316	1,385	8,235	9,620	61,936	60,462
Telephone and internet	28,788	468	2,335	2,803	31,591	28,505
Utilities	17,639	-	4,456	4,456	22,095	23,896
Repairs and maintenance	19,994	-	3,882	3,882	23,876	26,462
Depreciation	37,927	-	4,237	4,237	42,164	40,053
Bad debts	142,217	-	-	-	142,217	-
Administrative expenses	4,524	-	3,591	3,591	8,115	15,446
Professional fees	89,567	300	13,529	13,829	103,396	117,324
Event expenses	-	5,622	-	5,622	5,622	-
Revenue share	-	8,757	-	8,757	8,757	-
Dues and subscriptions	2,000	-	1,974	1,974	3,974	2,501
Advertising	146	1,675	-	1,675	1,821	150
Miscellaneous expenses	5,817	62	1,439	1,501	7,318	186
Interest expense	-	-	5,369	5,369	5,369	-
	<u>\$ 2,716,694</u>	<u>\$ 36,310</u>	<u>\$ 332,829</u>	<u>\$ 369,139</u>	<u>\$ 3,085,833</u>	<u>\$ 2,404,505</u>

*See accompanying notes to financial statements.*

**NAMI New Orleans, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**  
**(with summarized comparative information for the year ended June 30, 2016)**

	2017	2016
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 271,001	\$ 116,827
Adjustments to reconcile the increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	42,164	40,053
Net realized and unrealized (gains) losses on investments	(48,352)	53,225
(Increase) decrease in:		
Receivables	(200,625)	(216,705)
Prepaid expenses	3,858	3,637
Security deposits	2,067	-
Assets held in charitable remainder trust	(2,628)	15,961
(Decrease) increase in:		
Accrued expenses	13,989	(15,385)
Deferred revenue	-	(17,500)
Liability under unitrust agreement	537	(6,614)
Funds held on behalf of clients	(5,424)	30,866
Compensated absences	2,367	39,105
Net cash provided by operating activities	<u>78,954</u>	<u>43,470</u>
<b>Cash Flows From Investing Activities</b>		
Net purchases and sales of investments	(19,086)	(39,353)
Purchase of property and equipment	(50,000)	(10,969)
Net cash used in investing activities	<u>(69,086)</u>	<u>(50,322)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on line of credit	(67,000)	-
Receipts from line of credit	150,000	-
Net cash provided by investing activities	<u>83,000</u>	<u>-</u>
<b>Increase(decrease) in cash and cash equivalents</b>	92,868	(6,852)
Cash and cash equivalents, beginning balance	208,646	215,498
<b>Cash and cash equivalents, ending balance</b>	<u>\$ 301,514</u>	<u>\$ 208,646</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 5,369	\$ -

*See accompanying notes to financial statements.*

# NAMI New Orleans, Inc.

## Notes to Financial Statements

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### 1. History and Summary of Significant Accounting Policies

#### ***Organization***

NAMI New Orleans, Inc. ("NAMI") is a non-profit organization which operates in the New Orleans Metropolitan Area. NAMI is dedicated to creating an environment to help individuals who have been socially and vocationally disabled by mental illness to achieve or regain the confidence and skills to live vocationally productive and socially satisfying lives. The organization has several contracts with the Metropolitan Human Services District and Jefferson Parish Human Services Authority and receives other funding from fees, dues, donations, and fund-raising. NAMI is governed by a Board of Directors consisting of fifteen volunteers.

NAMI is accredited every three years by the Commission on Accreditation of Rehabilitation Facilities and affiliated with the National Alliance on Mental Illness, Inc. Accreditation is based on successfully meeting specific organizational, programmatic, and legal requirements. The affiliation allows NAMI to use the NAMI name and logo, receive grant support, and participate in conferences and supporting events conducted by the National Alliance on Mental Illness, Inc.

#### ***Basis of Accounting***

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC). The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

#### ***Classification of Net Assets***

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NAMI and changes therein are classified and reported as follows:

- *Unrestricted net assets* – includes (a) all resources that are not subject to legislation or donor-imposed stipulations and contributions and (b) grants with donor-imposed restrictions that are met during the same year as the contribution is made.
- *Temporarily restricted net assets* - support that is restricted by legal or donor stipulations that may be met either by actions of NAMI and/or passage of time. Donor restricted support that will be met either by action of NAMI and/or the passage of time, are classified as an increase in temporarily restricted net assets. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- *Permanently restricted net assets* - subject to legislation or donor-imposed stipulations that they be maintained permanently by NAMI. Generally, the donor of these assets permits NAMI to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2017.

When both restricted and unrestricted net assets are available for use, it is NAMI's policy to use the restricted resources first, then unrestricted resources as needed.

# **NAMI New Orleans, Inc.**

## **Notes to Financial Statements**

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### ***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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses reported during the period. Actual results could differ from those estimates.

### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### ***Cash and Cash Equivalents***

For financial statement purposes, cash and cash equivalents includes demand deposits and all highly liquid investments with an original maturity of three months or less.

### ***Investments***

NAMI invests in mutual funds and alternative investments which are carried at fair value. Investment income includes interest, dividends, realized and unrealized gains and losses, and investment fees and is included in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets.

### ***Accounts Receivable***

Accounts receivable are recorded at net realizable value and consist of charges for services provided by NAMI but have not been collected at year end. Management monitors the receivable balances and assesses the collectability at year end based upon the historical collections, knowledge of the individual or entity, and the age of the receivable balance. As a result of these reviews, management has recorded \$22,000 as an allowance for doubtful accounts at June 30, 2017.

### ***Grants Receivable***

Grants receivable are recorded at net realizable value and consists of payments due for services performed in accordance with specific contracts and programs administered. Management periodically reviews the status of all grants receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the grantor and the age of the receivable balance. As a result of these reviews, management has recorded \$27,311 as an allowance for doubtful accounts at June 30, 2017.

### ***Grants and Contributions***

Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. When a donor restriction is fulfilled in the same year as the contribution is received, the contribution is recognized as unrestricted support.

# NAMI New Orleans, Inc.

## Notes to Financial Statements

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### ***Fixed Assets***

Property and equipment is recorded at cost, or, if donated, at the fair value on the date of the donation. NAMI capitalizes all fixed assets with a purchase price or donated fair value of \$2,500 or more. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Description	Years
Building and improvements	10 - 40
Office furniture and equipment	5 - 10
Transportation equipment	5
Household equipment	7
Educational, recreational, cultural equipment	5 - 7

### ***Compensated Absences***

NAMI's employees earn accrued vacation time at various amounts according to years of service but not to exceed 125 hours. Once an employee has accumulated 125 hours of vacation leave, the employee stops accruing vacation leave until the employee has less than 125 hours in their vacation leave balance. Upon separation from employment, an employee shall receive that amount of vacation accrued (a maximum of 125 hours) at the employee's effective rate of pay at the time of separation. The compensated absences liability is reported as a long-term liability with the portion expected to be paid within one year reported as a current liability and an expense allocated on a functional basis. At June 30, 2017 and 2016, NAMI had accrued compensated absences of \$41,472 and \$39,105, respectively.

### ***Advertising***

Advertising costs are expensed as incurred and allocated among the programs and supporting services benefited on the statement of functional expenses. Advertising expense was \$1,821 and \$150 for the years ended June 30, 2017 and 2016, respectively.

### ***Income Taxes***

NAMI is a not-for-profit organization that is exempt from 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 and is exempt from Louisiana income tax under the authority of R.S. 47:121(5). Accordingly, no provision for income taxes has been reported. With few exceptions, NAMI is no longer subject to federal or state examinations by tax authorities prior to the tax year ended June 30, 2014.

NAMI follows the provisions of the *Accounting for Uncertainty in Income Taxes* topic of the FASB Codification, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in NAMI's information tax returns. Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Under this guidance, NAMI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits or obligations identified or recorded for the years ended June 30, 2017 and 2016.

# **NAMI New Orleans, Inc.**

## **Notes to Financial Statements**

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### ***Retirement Plan***

NAMI offers a 401(k) plan to its employees. Employees electing to participate in the plan may elect to defer up to a maximum of 15% of compensation. The 401(k) plan allows NAMI to make a discretionary match. NAMI made no contributions for the years ended June 30, 2017 and 2016.

### ***Summarized Comparative Information***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with NAMI's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

### ***Reclassifications***

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported net assets.

## **2. Prior Period Adjustments**

### ***Accounts Receivable***

NAMI did not accrue \$121,121 for patient services provided during the 2016 fiscal year, resulting in the accounts receivable balance being understated by \$121,121 at June 30, 2016. A prior period adjustment was made to accrue the balance owed.

### ***Deferred Revenue***

NAMI received a \$20,000 grant during the 2016 fiscal year. \$10,000 of the grant was reported as unrestricted net assets, and \$10,000 was reported as deferred revenue at June 30, 2016. Management has determined the grant was earned in the year ended June 30, 2016. A prior period adjustment was made to restate the deferred revenue balance.

### ***Accrued Compensated Absences***

NAMI's employees earn accrued vacation time at various amounts according to years of service but not to exceed 125 hours. Upon separation from employment, an employee shall receive that amount of vacation accrued (a maximum of 125 hours) at the employee's effective rate of pay at the time of separation. A prior period adjustment was made to accrue the compensated absences liability of \$39,105 at June 30, 2016.

### ***Cash***

NAMI inadvertently created a \$9,500 check within the accounting software in December 2015. This resulted in cash being understated by \$9,500 at June 30, 2016. A prior period adjustment was made to correct the cash balance.

**NAMI New Orleans, Inc.**  
**Notes to Financial Statements**

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As a result of these corrections, unrestricted net assets was restated as follows:

Net assets at June 30, 2016, as previous reported	\$ 1,974,958
Correction of an error: accrual of patient services receivable	121,121
Correction of an error: grant revenue	10,000
Correction of an error: accrual of compensated absences	(39,105)
Correction of an error: cash	9,500
	<u>\$ 2,076,474</u>

**3. Investments**

Investments are carried at fair value and are comprised of the following at June 30:

	<u>2017</u>	<u>2016</u>
Money market	\$ 99,781	\$ 82,142
Mutual funds	764,182	717,304
Alternative investments	53,105	50,184
	<u>\$ 917,068</u>	<u>\$ 849,630</u>

The following schedule summarizes investment returns including interest and administrative fees, and its classification in the financial statements for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 24,261	\$ 45,889
Net realized and unrealized gains(losses)	48,352	(53,225)
	72,613	(7,336)
Investment expenses	(4,967)	(2,842)
	<u>\$ 67,646</u>	<u>\$ (10,178)</u>

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of NAMI's investment in a single issuer. The investment policy of NAMI contains no limitations on the amount that can be invested in any one issuer.

#### **4. Split Interest Agreement**

NAMI administers a charitable remainder trust (the "Trust"). The Trust provides for the payment of distributions to the grantor or other designated beneficiaries over the Trust's term (usually the designated beneficiary's lifetime). At the end of the Trust's term, the remaining assets are available for NAMI's use. The portion of the Trust attributable to the present value of the future benefits to be received by NAMI is recorded in the Statement of Activities as a temporarily restricted contribution. Assets held in the charitable remainder trust are reported at fair market value and totaled \$215,459 and \$212,831 at June 30, 2017 and 2016, respectively. On an annual basis, NAMI revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments (\$49,950 and \$49,413 at June 30, 2017 and 2016, respectively) is calculated using a discount rate of 5% and applicable mortality tables.

#### **5. Fair Value Measurements**

The fair value measurement accounting literature provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level I inputs to the valuation methodology are based on unadjusted quoted prices for identical assets in active markets that NAMI has the ability access. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets and/or based on inputs that are derived principally from or corroborated by observable market data. Level 3 inputs are unobservable and are based on assumptions market participants would utilize in pricing the assets.

NAMI uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The asset's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. When available, valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

**NAMI New Orleans, Inc.**  
**Notes to Financial Statements**

The following table sets forth by level NAMI's assets at fair value at June 30, 2017:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investments				
Money market	\$ 99,781	\$ -	\$ -	\$ 99,781
Mutual funds	764,182	-	-	764,182
Alternative investments	-	-	53,105	53,105
	<u>863,963</u>	<u>-</u>	<u>53,105</u>	<u>917,068</u>
Assets held in charitable remainder trust				
Money market	21,855	-	-	21,855
Mutual funds	193,604	-	-	193,604
	<u>215,459</u>	<u>-</u>	<u>-</u>	<u>215,459</u>
<b>Liability</b>				
Liability under unitrust agreement	-	-	49,950	49,950
	<u>-</u>	<u>-</u>	<u>49,950</u>	<u>49,950</u>

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used by the fund managers in determining the value at June 30, 2017:

<b>Assets</b>	
Alternative investments	
Beginning balance	\$ 50,184
Unrealized gain(loss)	2,921
	<u>\$ 53,105</u>
<b>Liability</b>	
Liability under unitrust agreement	
Beginning balance	\$ 49,413
Change in liability under unitrust agreement	537
	<u>\$ 49,950</u>

**NAMI New Orleans, Inc.**  
**Notes to Financial Statements**

The following table sets forth by level NAMI's assets at fair value at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Investments				
Money market	\$ 82,142	\$ -	\$ -	\$ 82,142
Mutual funds	717,304	-	-	717,304
Alternative investments		-	50,184	50,184
	<u>799,446</u>	<u>-</u>	<u>50,184</u>	<u>849,630</u>
Assets held in charitable remainder trust				
Money market	10,601	-	-	10,601
Mutual funds	202,230	-	-	202,230
	<u>212,831</u>	<u>-</u>	<u>-</u>	<u>212,831</u>
<b>Liability</b>				
Liability under unitrust agreement	-	-	49,413	49,413
	<u>-</u>	<u>-</u>	<u>49,413</u>	<u>49,413</u>

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used by the fund managers in determining the value at June 30, 2016:

<b>Assets</b>	
Alternative investments	
Beginning balance	\$ 50,184
Unrealized gain(loss)	2,921
	<u>\$ 53,105</u>
<b>Liability</b>	
Liability under unitrust agreement	
Beginning balance	\$ 49,413
Change in liability under unitrust agreement	537
	<u>\$ 49,950</u>

**NAMI New Orleans, Inc.**  
**Notes to Financial Statements**

**6. Property and Equipment**

Property and equipment consist of the following:

	Balance at 06/30/16	Additions	Deletions	Balance at 06/30/17
Capital assets, not being depreciated				
Land	\$ 87,205	\$ -	\$ -	\$ 87,205
Capital assets, being depreciated				
Building and improvements	910,495	50,000	-	960,495
Office furniture and equipment	84,422	-	-	84,422
Transportation equipment	59,833	-	-	59,833
Household equipment	18,284	-	-	18,284
Educational, recreational, and cultural equipment	648	-	-	648
	<u>1,073,682</u>	<u>50,000</u>	<u>-</u>	<u>1,123,682</u>
Accumulated depreciation	(578,205)	(42,164)	-	(620,369)
	<u>495,477</u>	<u>7,836</u>	<u>-</u>	<u>503,313</u>
	<u>\$ 582,682</u>	<u>\$ 7,836</u>	<u>-</u>	<u>\$ 590,518</u>

Depreciation expense was \$42,164 and \$40,053 for the years ended June 30, 2017 and 2016, respectively.

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2017</u>	<u>2016</u>
Charitable remainder trust	<u>\$ 165,508</u>	<u>\$ 163,418</u>

**8. Office Lease**

NAMI leases a suite of executive offices located at 1050 South Jefferson Davis Parkway, New Orleans, Louisiana under a month-to-month lease. The lease may be terminated by the lessor or lessee with a written notice of termination to the other party at least thirty days in advance. Lease expense for the offices was \$16,200 for the year ended June 30, 2017 and \$16,200 for the year ended June 30, 2016.

# **NAMI New Orleans, Inc.**

## **Notes to Financial Statements**

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### **9. Lines of Credit**

NAMI has an available revolving line of credit with Whitney Bank totaling \$100,000 that originated on May 29, 2016, matured on May 29, 2017, and was extended to May 29, 2018. The interest rate on the note is subject to change from time to time based on changes in an independent index which is the prime rate for the U.S. designated in the “Money Rates” section of the Wall Street Journal. However, under no circumstances will the interest rate on the note be less than 4.00% per annum or more than the maximum amount allowed by law. At June 30, 2016 there was no balance outstanding on the note. The balance at June 30, 2017 was \$83,000.

NAMI has an available revolving line of credit with Iberia Bank totaling \$300,000 that originated on July 11, 2016 and matures on July 10, 2017. The interest rate on the note is subject to change from time to time based on changes in an independent index which is the prime rate for the U.S. designated in the “Money Rates” section of the Wall Street Journal. At June 30, 2017 and 2016 there were no balances outstanding on the note.

### **10. Concentrations**

In the normal course of operations, NAMI maintains cash deposits with major financial institutions which, from time to time, may exceed federally insured limits. At June 30, 2017, \$24,968 of NAMI’s cash exceeded federally insured limits and was susceptible to custodial credit risk. Management periodically assesses the financial condition of the institutions and believes the risk of incurring material losses related to this credit risk is remote.

Included in receivables are amounts due from various insurance companies, Medicaid, and Medicare for services provided to clients. NAMI requires no collateral to secure the accounts receivable. Payment of these accounts is dependent upon the insurance companies, Medicaid, and Medicare’s willingness to reimburse NAMI for the services provided for clients.

### **11. Related Party Transactions**

#### ***Friends of Alliance Housing, Inc. I***

The executive director of NAMI also serves as executive director of Friends of Alliance Housing, Inc. I (“FAHI I”). NAMI and FAHI I have undertaken in the following related party transactions:

- NAMI has provided FAHI I with the use of facilities and/or administrative support. FAHI I reimbursed NAMI \$5,363 for these management services for the year ended June 30, 2017.
- NAMI’s staff provides services for FAHI I as needed. In return, FAHI I reimbursed NAMI \$13,464 for salary expenses for the year ended June 30, 2017.

#### ***Friends of Alliance Housing, Inc. II***

The executive director NAMI also serves as executive director of Friends Alliance Housing, Inc. II (“FAHI II”). NAMI and FAHI II have undertaken in the following related party transactions:

- NAMI has provided FAHI II with the use of facilities and/or administrative support. FAHI II reimbursed NAMI \$7,577 for these management services for the year ended June 30, 2017.

## **NAMI New Orleans, Inc.**

### **Notes to Financial Statements**

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- NAMI's staff provides services for FAHI II as needed. In return, FAHI II reimbursed NAMI \$12,564 for salary expenses for the year ended June 30, 2017.
- FAHI II paid NAMI \$4,500 to advertise at NAMI's fund raiser, NAMI Walks, for the year ended June 30, 2017.
- NAMI leases a vehicle from FAHI II at a rate of \$10 per annum. The lease is cancellable with one month's notice.

#### ***Allied Paper***

NAMI purchased \$9,692 of janitorial supplies from Allied Paper for the year ended June 30, 2017. Mr. Irel Sears, a member of NAMI's Board of Directors, has a 50% ownership in Allied Paper.

## **12. Subsequent Events**

NAMI evaluated subsequent events through December 30, 2017 which is the date the financial statements were available to be issued.

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*Supplementary Information*

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**NAMI New Orleans, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Direct program			
Continuum of Care Program	14.267	LA0072L6H031508	\$ 195,346
Total direct programs			<u>195,346</u>
Pass-through program			
Unity of Greater New Orleans			
Continuum of Care Program	14.267	LA0210L6H031603	123,672
Continuum of Care Program	14.267	LA0083LL6H031508	473,313
Total pass-through programs			<u>596,985</u>
Total U.S. Department of Housing and Urban Development			<u>792,331</u> *
<b>U.S. Department of Health and Human Services</b>			
Pass-through program			
Unity of Greater New Orleans			
Substance Abuse and Mental Health Services	93.243	IH79SM63337-01	94,898
Total U.S. Department of Health and Human Services			<u>94,898</u>
<b>Total expenditures of federal awards</b>			<u>\$ 887,229</u>

\* audited as a major program

## **NAMI New Orleans, Inc.**

### **Notes to Schedule of Expenditures of Federal Awards**

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#### ***Reporting Entity***

The accompanying schedule of expenditures of federal awards presents the activities of federal award programs expended by NAMI New Orleans, Inc. ("NAMI"). NAMI's reporting entity is defined in Note 1 of the notes to financial statements.

#### ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of NAMI under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 NAMI, it is not intended to and does not present the financial position, changes in net position, fund balance, or changes in fund balance.

#### ***Summary of Significant Accounting Policies***

The schedule of expenditures of federal awards is reported on the same accounting basis as the fund financial statements, which is described in Note 1 of the notes to financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NAMI did not elect to use the 10 percent de minimis indirect rate.

**NAMI New Orleans, Inc.**  
**Schedule of Compensation, Benefits, and Other Payments to Executive Director**  
**For the Year Ended June 30, 2017**

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Agency Head: Lisa Romback  
Position: Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 86,516
Benefits: insurance	5,104
Reimbursements	59
Travel	519
Cell phone allowance	300
Training	180
	<u>\$ 92,678</u>

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*Statewide Agreed-Upon Procedures  
Required by Louisiana State Law*

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## **Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Board of Directors  
NAMI New Orleans, Inc.  
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of NAMI New Orleans, Inc. ("NAMI") and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2016 through June 30, 2017. NAMI's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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.

The procedures and associated findings are as follows:

### ***Written Policies and Procedures***

1. 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
  - 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.
  - c) *Disbursements*, including processing, reviewing, and approving
  - d) *Receipts*, including receiving, recording, and preparing deposits
  - e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - 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

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- 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
  - h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - 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.
  - j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

***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.
  - 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).
    - 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.
  - 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.

***Bank Reconciliations***

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

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### ***Collections***

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

### ***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.
  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:
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- 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.
  - b) Purchase orders, or an electronic equivalent, were approved 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.
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.
  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.
  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.
  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.

***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.
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.]
  - b) Report whether finance charges and/or late fees were assessed on the selected statements.
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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)
    - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
    - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
  - 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.
  - 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.

#### ***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.
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](http://www.gsa.gov)) and report any amounts that exceed 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.
  - 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.]
    - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
    - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

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- 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.
  - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving 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.
- 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.
  - 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)
    - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
  - 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.
  - 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.
  - 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).

### ***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.
  - 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.

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

***Ethics (excluding nonprofits)***

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.
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.

***Debt Service (excluding nonprofits)***

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

- 
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.

***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.
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.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Results**

We noted the following exceptions as a result of applying the above procedures:

**Bank Reconciliations**

***Finding***

The payroll account bank reconciliation had a \$9,500 disbursement outstanding since December 2015.

***Management's Response***

Management has researched the outstanding transaction and determined the transaction was created in error. The cash balance has been adjusted accordingly and is reflected in the June 30, 2017 financial statements.

**Disbursements**

***Finding***

The procedures detected four invoices that did not have evidence of management's review and approval.

***Management's Response***

The manager of each department will begin initialing and/or stamping invoices and receipts prior to payment being made.

**Credit Cards**

***Finding***

The procedures detected no receipt for a \$334 purchase from a local restaurant.

***Management's Response***

Management will ensure all invoices and receipts are obtained from vendors and placed on file. Purchases from restaurants will include the following documentation: itemized receipt, the names and positions of the individuals who attended, and the purpose of the purchase.

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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 control and compliance areas identified in the Statewide Agreed-Upon Procedures. 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 control and compliance areas identified in the Statewide Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Pinell S. Martineau, LLC". The signature is written in a cursive style with a large initial "P".

Covington, Louisiana  
December 30, 2017

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*Reports Required by  
Government Auditing Standards*

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**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  
NAMI New Orleans, Inc.  
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 NAMI New Orleans, Inc. (“NAMI”), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated December 30, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NAMI’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NAMI’s internal control. Accordingly, we do not express an opinion on the effectiveness of NAMI’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: **2017-001, 2017-002, and 2017-003.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency: **2017-004**.

## **Compliance and Other Matters**

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

## **NAMI New Orleans Inc.'s Response to Findings**

NAMI's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and begins at page 40. NAMI's responses were 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 NAMI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NAMI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Covington, Louisiana  
December 30, 2017

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
NAMI New Orleans, Inc.  
New Orleans, Louisiana

### **Report on Compliance for Each Major Federal Program**

We have audited NAMI New Orleans, Inc.'s ("NAMI") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NAMI's major federal programs for the year ended June 30, 2017. NAMI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of NAMI New Orleans, Inc.'s major federal programs 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 NAMI New Orleans, Inc.'s 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 each major federal program. However, our audit does not provide a legal determination of NAMI's compliance.

***Opinion on Each Major Federal Program***

In our opinion, NAMI, 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 NAMI, 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 NAMI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 NAMI's 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.



Covington, Louisiana  
December 30, 2017

**NAMI New Orleans, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**A. Summary of Auditor's Results**

*Financial Statements*

- a. Type of auditor's report issued: Unmodified
- b. Internal control over financial reporting:
- |   |                  |                              |
|---|------------------|------------------------------|
| Material weaknesses identified  | <u>  ✓  </u> yes | <u>          </u> no         |
| Significant deficiencies identified that are not considered to be material weaknesses | <u>  ✓  </u> yes | <u>          </u> none noted |
- c. Noncompliance material to financial statements noted
- |  |                       |                 |
|--|-----------------------|-----------------|
|  | <u>          </u> yes | <u>  ✓  </u> no |
|--|-----------------------|-----------------|

*Federal Awards*

- a. Type of auditor's report issued on compliance for major programs: Unmodified
- b. Internal control over major programs:
- |   |                       |                         |
|---|-----------------------|-------------------------|
| Material weaknesses identified  | <u>          </u> yes | <u>  ✓  </u> no         |
| Significant deficiencies identified that are not considered to be material weaknesses | <u>          </u> yes | <u>  ✓  </u> none noted |
- c. Any audit findings disclosed that are required to be reported by *Title 2 U.S. Code of Federal Regulations Part 200*.
- |  |                       |                 |
|--|-----------------------|-----------------|
|  | <u>          </u> yes | <u>  ✓  </u> no |
|--|-----------------------|-----------------|
- d. Identification of major programs:
- CFDA# 14.267 Continuum of Care Program
- e. Dollar threshold used to distinguish between Type A and Type B programs:
- |  |                       |  |
|--|-----------------------|--|
|  | <u>  \$ 750,000  </u> |  |
|--|-----------------------|--|
- f. Auditee qualified as low-risk audit
- |  |                       |                 |
|--|-----------------------|-----------------|
|  | <u>          </u> yes | <u>  ✓  </u> no |
|--|-----------------------|-----------------|

**NAMI New Orleans, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2017**

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**B. Findings in Accordance with *Government Auditing Standards***

**2017-001 Material Weakness in Internal Controls: Improper Revenue Recognition**

***Criteria***

Revenue recognition procedures must be considered in preparation of the annual financial statements. The patient services revenue should be reconciled, at least annually, to ensure that the activity is accurately recorded and that the ending receivable balance accurately reflects NAMI's position.

Also, grant revenues should be classified as permanently restricted, temporarily restricted, or unrestricted net assets and reported in the statement of activities as unrestricted net assets as the net assets are released from restrictions.

***Condition***

Errors were noted in NAMI's prior period accrual of patient services revenue which resulted in the related receivables being understated by \$121,121 at June 30, 2016. The balance required substantial effort and time to research and correct. In addition, NAMI earned a \$20,000 grant during the 2016 fiscal year but reported \$10,000 of the grant as a current liability at June 30, 2016. These errors required a prior period adjustment which increased beginning net assets by \$131,121.

***Cause***

The accounting department does not review aging of receivables by claim. Therefore, management is not able to determine the balance owed to NAMI in a timely manner. Also, when an insurance company or Medicaid makes a billing adjustment, staff will backdate changes to original invoices rather than adjusting an allowance for uncollectible accounts.

The grant was reported as deferred revenue to shift the revenue to a subsequent period for budget purposes.

***Effect***

As a result of this condition, NAMI's accounting records were initially misstated by amounts that were material to the financial statements.

***Recommendation***

It is recommended that the accounting for all patient services follow a review process. If accounting personnel are unable to record the transactions to NAMI's accounting records as the services are provided, the patient services accounting program should be reviewed and reconciled at year end to determine the balance realized by NAMI and record as a receivable. Management should review the receivable balance at year end to determine if an allowance for doubtful accounts should be recorded.

In addition, grant revenues should be classified as permanently restricted, temporarily restricted, or unrestricted net assets and reported in the statement of activities as unrestricted net assets as the net assets are released from restrictions.

***Management's Response and Corrective Action Plan***

NAMI has provided a response and corrective action plan to this finding. Please refer to page 40.

**NAMI New Orleans, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2017**

---

**2017-002 Material Weakness in Internal Controls: Unreported Liability**

***Criteria***

Upon separation from employment, NAMI's employees receive the amount of vacation accrued (a maximum of 125 hours) at the employee's effective rate of pay at the time of separation.

***Condition***

Accrued compensated absences (noncurrent liability) was understated by \$39,105 at June 30, 2016 resulting in a prior period adjustment which decreased beginning net assets by \$39,105.

***Cause***

Management did not maintain a schedule of employees' time accrued in prior years. Therefore, management was not able to calculate the vacation payable at June 30, 2016.

***Effect***

As a result of this condition, NAMI's accounting records were initially misstated by amounts that were material to the financial statements.

***Recommendation***

It is recommended that NAMI maintains a schedule of accrued vacation which lists each employee's beginning accrued vacation hours, hours earned during the period, hours used during the period, and ending balance. Management can use the schedule to calculate accrued vacation payable at a specific point in time.

***Management's Response and Corrective Action Plan***

NAMI has provided a response and corrective action plan to this finding. Please refer to page 40.

**2017-003 Material Weakness in Internal Controls: Cash**

***Criteria***

As an essential internal control measure, bank reconciliations should be completed in a timely manner and outstanding transactions researched and resolved.

***Condition***

Cash was understated by \$9,500 at June 30, 2016 resulting in a prior period adjustment which increased beginning net assets by \$9,500.

***Cause***

NAMI inadvertently created a \$9,500 check within QuickBooks in December 2015 that remained outstanding throughout the current fiscal year.

***Effect***

As a result of this condition, NAMI's accounting records were initially misstated by amounts that were material to the financial statements.

**NAMI New Orleans, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2017**

---

***Recommendation***

We recommend management to research unresolved transactions and make the necessary corrections on a monthly basis.

***Management's Response and Corrective Action Plan***

NAMI has provided a response and corrective action plan to this finding. Please refer to page 40.

**2017-004      Significant Deficiencies in Internal Controls: Disbursements**

***Criteria***

NAMI's accounting policies and procedures state that invoices and receipts are to be kept on file and shall be reviewed and approved by management prior to payment.

***Condition***

A receipt was not on file for a \$334 credit card purchase from a local restaurant. In addition, various transactions selected for testing did not have evidence of management's review and approval before payment was submitted to the vendor.

***Cause***

The receipt was not placed on file, and management did not initial and/or stamp invoices to document the review and approval process.

***Effect***

As a result of this condition, NAMI was exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be detected and corrected by management in a timely manner.

***Recommendation***

We recommend NAMI to obtain invoices/receipts from all purchases, including credit card transactions, and maintain the invoices/receipts on file. Prior to payment being made, management should initial and/or stamp the invoice/receipt to document the review and approval has occurred.

***Management's Response and Corrective Action Plan***

NAMI has provided a response and corrective action plan to this finding. Please refer to page 40.

**C. Findings and Questioned Costs for Federal Awards Under the Uniform Guidance**

None noted.



National Alliance on Mental Illness

## New Orleans

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e-mail: [namino@namineworleans.org](mailto:namino@namineworleans.org)

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[www.namineworleans.org](http://www.namineworleans.org)

December 31, 2017

Louisiana Legislative Auditor

NAMI New Orleans, Inc. respectfully submits the following corrective action plans for the year ended June 30, 2017.

Name and Address of independent public accounting firm:

Pinell & Martinez, LLC

308 S. Tyler Street, Suite 2

Covington, LA 70433

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

The findings from the June 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

### SECTION B. FINDINGS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

#### **Finding 2017-001 Material Weakness in Internal Controls: Improper Revenue Recognition**

**Recommendation:** It is recommended that the accounting for all patient services follow a review process. If accounting personnel are unable to record the transactions to NAMI's accounting records as the services are provided, the patient services accounting program should be reviewed and reconciled at year end to determine the balance realized by NAMI and record as a receivable. Management should review the receivable balance at year end to determine if an allowance for doubtful accounts should be recorded.



In addition, grant revenues should be classified as permanently restricted, temporarily restricted, or unrestricted net assets and reported in the statement of activities as unrestricted net assets as the net assets are released from restrictions.

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**Management’s Response and Corrective Action Plan**

Management has taken action to improve the recording and tracking of Medicaid and Medicare claims. A new software system has been selected and will be engaged in Fiscal Year 2018 to better track and report on claims billed, payments received and balance of amounts owed.

Further the CFO will be implementing processes going forward to maintain supporting documentation for amounts posted to the general ledger. Procedures are ongoing to reconcile the receivable balances on a monthly basis.

Additional part-time staff will be hired to assist in the bookkeeping functions allowing for more accurate and complete posting of activity to QuickBooks. The CFO is developing policies and procedures to improve the timeliness of financial reporting and GAAP presentation.

**Finding 2017-002 Material Weakness in Internal Controls: Unreported Liability**

Recommendation: It is recommended that NAMI maintains a schedule of accrued vacation which lists each employee’s beginning accrued vacation hours, hours earned during the period, and ending balance. Management can use the schedule to calculate accrued vacation payable at a specific point in time.

**Management’s Response and Corrective Action Plan**

An individual was hired during the Fiscal Year 2017 as a Director of Human Resources who began a process for tracking accrued leave which was used to create an accrual for Fiscal Year 2017. The information tracked by the payroll processing service was used to calculate Fiscal Year 2016. The process will be amended to more effectively follow the recommended procedure as indicated in the Recommendation.



National Alliance on Mental Illness

## New Orleans

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[www.namineworleans.org](http://www.namineworleans.org)

### Finding 2017-003 Material Weakness in Internal Controls: Cash

Recommendation: We recommend management to research unresolved transactions and make the necessary corrections on a monthly basis.

### Management's Response and Corrective Action Plan

As part of the ongoing changes to policies and procedures, the CFO has determined that NAMI will begin accessing bank statements online, the CFO will reconcile bank accounts using the Bank Reconciliation feature of QuickBooks for most accounts. The CFO will follow up on reconciling items on a monthly basis.

### Finding 2017-004 Material Weakness in Internal Controls: Disbursements

Recommendation: We recommend NAMI to obtain invoices/receipts from all purchases, including credit card transactions, and maintain the invoices/receipts on file. Prior to payment being made, management should initial and/or stamp the invoice/receipt to document the review and approval has occurred.

### Management's Response and Corrective Action Plan

NAMI has reinforced the procedures for approval of expenditures to include documentation and authorizations in writing to additionally include purpose and program information.

If there are any questions regarding this plan, please contact Carol K. McGovern, CFO at (504) 896-2345.

Sincerely,

Lisa Romback, M.A., Executive Director

**NAMI New Orleans, Inc.**  
**Summary Schedule of Prior Year Findings**  
**For the Year Ended June 30, 2017**

---

**A. Findings in Accordance with *Government Auditing Standards***

**2016-001 Prior Period Adjustment**

***Condition and criteria***

The accounting department did not review aging of receivables by claim. This resulted in claims not being reviewed in a timely manner.

***Effect***

As a result, NAMI wrote off \$304,149 due from a third party provider causing a restatement of prior year unrestricted net assets.

***Recommendation***

NAMI should set up a monitoring system by claim to track the progress of the claims and to follow-up on denials by third party payers.

***Update***

NAMI did not effectively monitor claims by individual and understated claims receivable at June 30, 2016. This resulted in finding 2017-001 in the current fiscal year.

**2016-002 Bank Reconciliation**

***Condition and Criteria***

The June 30, 2016 Operating Bank Account was not reconciled at the beginning of audit fieldwork. The reconciliation was completed during our audit fieldwork.

***Effect***

An audit adjustment of \$8,870 was made to reconcile cash to the books of the Organization at June 30, 2016.

***Recommendation***

The accountant should reconcile the bank account and the Administrative Assistant should review and verify the amounts to the books of NAMI.

***Update***

The bank reconciliations were completed and reviewed; however, transactions outstanding for an extended period of time were not researched and resolved. This resulted in finding 2017-003 in the current fiscal year.

**B. Findings and Questioned Costs for Federal Awards Under the Uniform Guidance**

None noted.