Hearts of Hope

Financial Report

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Board of Directors
Hearts of Hope
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts of Hope as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2020, on our consideration of Hearts of Hope's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hearts of Hope's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hearts of Hope's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Hearts of Hope as of December 31, 2018 were audited by other auditors whose report dated June 18, 2019 expressed an unmodified opinion on those statements.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
August 11, 2020

FINANCIAL STATEMENTS

HEARTS OF HOPE
Lafayette, Louisiana

Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 290,696	$ 247,959
Grants receivable	77,146	97,300
Other receivables	5,327	29,261
Prepaid expenses	13,260	16,413
Total current assets	386,429	390,933
Property and equipment, net	482,530	475,809
Other assets:		
Beneficial interest in assets held by others	66,960	59,489
Total assets	$ 935,919	$ 926,231
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 2,012	$ 3,729
Accrued payroll	10,046	8,155
Payroll tax liabilities	3,181	6,028
Accrued compensated absences	2,137	2,167
Note payable	4,136	4,039
Total current liabilities	21,512	24,118
Net assets:		
Without donor restrictions:		
Designated for endowment	66,960	59,489
Undesignated	847,447	842,624
Total net assets	914,407	902,113
Total liabilities and net assets	$ 935,919	$ 926,231

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Grants:			
State	$ 580,158	$ -	$ 580,158
Local	97,295	20,074	117,369
Total grants	677,453	20,074	697,527
Public support donations	39,343	-	39,343
Fundraising	59,826	-	59,826
Other income	4,140	-	4,140
Service fees	85,500	-	85,500
Investment income	1,473	-	1,473
Unrealized gain on investments	6,166	-	6,166
Net assets released from restrictions	20,074	(20,074)	-
Total support and revenues	893,975	-	893,975
Expenses:			
Program services-			
Children's Advocacy Center	253,395	-	253,395
Sexual Abuse Response Center	278,927	-	278,927
Sexual Assault Nurse Examiners	170,765	-	170,765
	703,087	-	703,087
Supporting services -			
Management and general	162,454	-	162,454
Fundraising	16,140	-	16,140
Total supporting services	178,594	-	178,594
Total expenses	881,681	-	881,681
Change in net assets	12,294	-	12,294
Net assets, beginning of year	902,113	-	902,113
Net assets, end of year	$ 914,407	$ -	$ 914,407

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Grants:			
State	$ 481,703	$ -	$ 481,703
Local	84,155	-	84,155
Total grants	565,858	-	565,858
Public support donations	23,614	-	23,614
Fundraising	54,367	-	54,367
Other income	4,508	-	4,508
Service fees	95,700	-	95,700
Investment income	1,766	-	1,766
Unrealized loss on investments	(4,062)	-	(4,062)
Total support and revenues	741,751	-	741,751
Expenses:			
Program services-			
Children's Advocacy Center	252,268	-	252,268
Sexual Abuse Response Center	272,941	-	272,941
Sexual Assault Nurse Examiners	170,559	-	170,559
	695,768	-	695,768
Supporting services -			
Management and general	186,537	-	186,537
Fundraising	54,735	-	54,735
Total supporting services	241,272	-	241,272
Total expenses	937,040	-	937,040
Change in net assets	(195,289)	-	(195,289)
Net assets, beginning of year	1,097,402	-	1,097,402
Net assets, end of year	$ 902,113	$ -	$ 902,113

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services				Supporting Services			
	CAC Program Activities	SARC Program Activities	SANE Program Activities	Total	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 149,329	$ 174,217	$ 74,665	$ 398,211	$ 99,553	$ 3,240	$ 102,793	$ 501,004
Employee benefits -								
Payroll taxes	11,291	13,172	5,645	30,108	7,527	-	7,527	37,635
Group insurance	23,591	27,522	11,795	62,908	15,727	-	15,727	78,635
Retirement	1,712	540	-	2,252	-	-	-	2,252
Total payroll and related expenses	185,923	215,451	92,105	493,479	122,807	3,240	126,047	619,526
Annual project/fundraising	-	-	-	-	-	12,900	12,900	12,900
Cleaning	-	-	-	-	5,309	-	5,309	5,309
Client services	17,596	20,529	-	38,125	-	-	-	38,125
Contract labor	13,065	-	52,260	65,325	-	-	-	65,325
Depreciation	4,687	5,468	2,343	12,498	3,125	-	3,125	15,623
Dues and fees	462	539	231	1,232	308	-	308	1,540
Education and professional development	3,617	4,220	1,808	9,645	2,411	-	2,411	12,056
Insurance	6,235	7,274	3,118	16,627	4,157	-	4,157	20,784
Interest	-	-	-	-	665	-	665	665
Legal and accounting	7,124	8,311	3,562	18,997	4,749	-	4,749	23,746
Meetings and receptions	836	975	418	2,229	557	-	557	2,787
Miscellaneous	51	60	25	136	34	-	34	169
Office expense/supplies	4,850	5,659	2,425	12,934	3,234	-	3,234	16,168
Rape kits and supplies	-	-	7,995	7,995	-	-	-	7,995
Rent/building maintenance	-	-	-	-	7,508	-	7,508	7,508
Taxes and licenses	-	-	-	-	1,624	-	1,624	1,624
Technology	2,052	2,394	1,026	5,472	1,368	-	1,368	6,841
Telephone	1,394	1,626	697	3,717	929	-	929	4,645
Travel	2,742	3,199	1,371	7,312	1,828	-	1,828	9,140
Utilities	2,609	3,043	1,304	6,956	1,739	-	1,739	8,695
Volunteer development	152	179	77	408	102	-	102	510
Total	$ 253,395	$ 278,927	$ 170,765	$ 703,087	$ 162,454	$ 16,140	$ 178,594	$ 881,681

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services				Supporting Services			
	CAC Program Activities	SARC Program Activities	SANE Program Activities	Total	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 138,290	$ 161,339	$ 69,146	$ 368,775	$ 92,194	$ -	$ 92,194	$ 460,968
Employee benefits -								
Payroll taxes	12,723	14,843	6,361	33,927	8,482	-	8,482	42,409
Group insurance	16,856	19,665	8,428	44,949	11,237	-	11,237	56,187
Retirement	1,583	500	-	2,083	-	-	-	2,083
Total payroll and related expenses	169,452	196,347	83,935	449,734	111,913	-	111,913	561,647
Annual project/fundraising	-	-	-	-	-	54,735	54,735	54,735
Cleaning	-	-	-	-	800	-	800	800
Client services	23,820	27,789	-	51,609	-	-	-	51,609
Contract labor	16,151	-	64,605	80,756	-	-	-	80,756
Depreciation	4,727	5,515	2,364	12,606	3,153	-	3,153	15,759
Dues and fees	1,557	1,816	778	4,151	1,038	-	1,038	5,189
Education and professional development	8,939	10,429	4,470	23,838	5,959	-	5,959	29,797
Insurance	6,232	7,271	3,116	16,619	4,155	-	4,155	20,774
Interest	-	-	-	-	428	-	428	428
Legal and accounting	-	-	-	-	19,755	-	19,755	19,755
Meetings and receptions	1,542	1,799	771	4,112	1,028	-	1,028	5,140
Miscellaneous	664	775	332	1,771	443	-	443	2,214
Office expense/supplies	7,113	8,299	3,557	18,969	4,742	-	4,742	23,711
Public relations	1,013	-	-	1,013	675	-	675	1,688
Rape kits and supplies	-	-	1,101	1,101	-	-	-	1,101
Rent/building maintenance	-	-	-	-	13,654	-	13,654	13,654
Taxes and licenses	-	-	-	-	1,650	-	1,650	1,650
Technology	5,934	6,923	2,967	15,824	3,956	-	3,956	19,780
Telephone	1,369	1,597	685	3,651	913	-	913	4,564
Travel	3,576	4,172	1,788	9,536	2,385	-	2,385	11,921
Utilities	-	-	-	-	9,771	-	9,771	9,771
Volunteer development	179	209	90	478	119	-	119	597
Total	$ 252,268	$ 272,941	$ 170,559	$ 695,768	$ 186,537	$ 54,735	$ 241,272	$ 937,040

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Statements of Cash Flows
For The Year Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 12,294	$ (195,289)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities -		
Depreciation	15,623	15,759
Earnings restricted for long-term endowment	(1,306)	(966)
Unrealized (gain) loss on investments	(6,166)	4,062
Loss on sale of property and equipment	79	-
Change in current assets and liabilities:		
Grants receivable	20,154	718
Other receivables	23,934	(11,127)
Prepaid expenses	3,153	(9,228)
Accounts payable	(1,717)	(3,914)
Accrued payroll	1,891	8,155
Payroll tax liabilities	(2,847)	(2,977)
Accrued compensated absences	(30)	928
Net cash provided (used) by investing activities	65,062	(193,879)
Cash flows from financing activities:		
Net increase in short-term debt	97	171
Purchase of fixed assets	(22,422)	-
Net cash provided (used) by investing activities	(22,325)	171
Net increase (decrease) in cash and cash equivalents	42,737	(193,708)
Cash and cash equivalents, beginning of year	247,959	441,667
Cash and cash equivalents, end of year	$ 290,696	$ 247,959
Supplemental disclosure for the statement of cash flows:		
Interest paid	$ 665	$ 428

The accompanying notes are an integral part of this statement.

HEARTS OF HOPE
Lafayette, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Hearts of Hope (the Organization) is a non-profit organization that is dedicated to providing help and healing for survivors of sexual trauma and violent crime, to providing help to lessen the trauma experienced by child victims when abuse allegations are investigated and throughout court proceedings and to conducting and documenting skillful forensic evidence collection with compassionate care when a patient makes a disclosure of sexual assault. Staff and volunteers maintain a 24-hour crisis line and provide escort services to the area hospitals.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met, either (1) expire by incurring expenses satisfying the restricted purpose (purpose restricted), and/or the passage of time or other events (time restricted), or (2) will never expire (perpetual in nature). When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

C. Cash and Cash Equivalents

The organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

D. Property and Equipment

Property and equipment are valued at cost, if purchased. Donations of property and equipment are recorded as contributions at their estimated fair value. Additions and betterments of $5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	7 - 39 years
Office equipment, furniture and fixtures	5 - 15 years

E. Revenue and Expense Recognition

Contributions are recognized when the donor makes a commitment to give and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. Pledges that are designated by the donor for specific beneficiaries are considered agency transactions and are not considered contributions and thus are reduced from pledge revenue.

The Organization adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) during the year ended December 31, 2019. The guidance outlines a single, comprehensive model for accounting for revenue in exchange transactions from contracts with customers. The Organization did not receive any significant revenues derived from exchange transactions during the fiscal year.

Expenses are recognized in the period incurred in accordance with the accrual basis of accounting.

F. Functional Allocation of Expenses

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square-footage basis, as well as salaries and related benefits, which are allocated on the basis of time and effort.

G. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. Accounting principles generally accepted in the United States of American require the Organization’s management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclose in the financial statements. The Organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

H. Compensated Absences

Sick time is accumulated as a single compensated absence. Eight hours are earned per month for all full-time employees (employees working 30 hours or more per week). Any unused accumulated balance can be carried forward to the following year. However, sick leave is forfeited upon leaving employment; accordingly, no liability has been recorded in the accompanying financial statements for sick time. Vacation time is earned monthly based on length of service for all full-time employees. Any unused accumulated balance is forfeited at the end of each year. However, earned vacation time is paid-out upon termination of employment; accordingly, a liability has been recorded in the accompanying financial statements for vacation time. Accrued compensated absences as of December 31, 2019 and 2018 amounted to $2,137 and $2,167, respectively.

I. Donated Facilities, Materials, and Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services during the year. These donated services are not reflected in the statement of activities because the criteria for recognition under professional standards have not been satisfied; however, these services are valuable to the Organization’s programs.

J. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

K. Reclassifications

For comparative purposes, certain accounts in the prior year financial statements have been reclassified in order to conform to the presentation of the current year statements.

(2) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of donor-imposed regulation and board designations.

	2019	2018
Financial assets, at year-end	$ 440,129	$ 434,009
Less those unavailable for general expenditures within one year, due to:		
Board designations-		
Endowment fund	(66,960)	(59,489)
Financial assets available to meet cash needs for general expenditures within one year	$ 373,169	$ 374,520

At December 31, 2019 and 2018, the Organization had $364,769 and $374,520 of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of $290,696 and $247,959, grants receivable of $77,146 and $97,300, and other receivables of $5,327 and $29,261, respectively. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation become due.

(3) Endowment Fund

During fiscal year ending 2003, Hearts of Hope and the Community Foundation of Acadiana (Foundation) entered into an agreement to manage an endowment fund to support the mission of the Organization. The Foundation has limited variance power over the fund. In the event that a donor restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community, the Foundation may modify the restriction through the exercise of the variance power. Distribution from the Fund can be made solely for the support of the purposes of the Organization once the investment has reached $1,000,000, as stipulated by the Organization's Board of Directors. The Board did not designate any amounts for endowment purposes for the years ended December 31, 2019 and 2018, respectively. The fund is invested in 50% equity funds, 45% in fixed income funds, and 5% in money market funds. The assets of the fund shall be held and invested by the Foundation. There were no distributions from the fund during the years ended December 31, 2019 and 2018.

The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

The endowment investment is reflected in the financial statements as a Beneficial Interest in Assets Held by Others and Net Assets without Donor Restrictions – Designated for Endowment. The changes in endowment net assets for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Board-designated endowment net assets, beginning of year	$ 59,489	$ 62,585
Net unrealized/realized gain (loss)	6,166	(4,576)
Interest	1,624	1,781
Fees	(319)	(301)
Board-designated endowment net assets, end of year	$ 66,960	$ 59,489

(4) Property and Equipment

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

	2019	2018
Buildings and improvements	$ 553,526	$ 553,526
Office equipment, furniture and fixtures	31,867	68,371
Total property and equipment	585,393	621,897
Less: Accumulated depreciation	(102,863)	(146,088)
Property and equipment, net	$ 482,530	$ 475,809

Total depreciation expense for the years ended December 31, 2019 and 2018 was $15,623 and $15,759, respectively.

(5) Note Payable

On May 3, 2019, the Organization entered into an interest-bearing note agreement in the amount of $13,354 to finance insurance premiums. The note will require ten monthly installments of $1,404 bearing an interest rate of 11.0%. On May 3, 2018, the Organization entered into an interest-bearing note agreement in the amount of $13,160 to finance insurance premiums. The note will require ten monthly installments of $1,364 bearing an interest rate of 7.9%. At December 31, 2019 and 2018, the amount outstanding on the note payable was $4,136 and $4,039, respectively. Interest expense amounted to $665 and $428 for the years ended December 31, 2019 and 2018, respectively.

(6) Grants

Grants consist of the following for the years ended December 31:

	2019	2018
State grants:		
Crime Victims Assistance	$ 448,977	$ 354,585
Rape Prevention and Education	60,642	53,823
Sexual Assault Services	48,965	45,554
Violence Against Women Act	21,574	27,741
Total state grants	580,158	481,703
Local grants:		
Lafayette Consolidated Government-		
External agencies	14,365	12,778
Lafayette Parish Coroner	37,800	37,800
United Way of Acadiana	22,300	22,300
Children's Advocacy Center	9,330	6,977
Enterprise Holdings	3,500	3,500
Grainger Foundation	10,000	-
The Stuller Family Foundation	10,000	-
Woman's Foundation	10,074	-
Zonta Club of Lafayette Foundation, Inc.	-	800
Total local grants	117,369	84,155
Total grants	$ 697,527	$ 565,858

(7) Retirement Plan

The Organization provides their employees the opportunity to participate in a “Simple IRA” retirement plan. All eligible employees who work full time or over 30 hours per week may contribute from one percent (1%) of their gross pay upward. The Organization matches the employees’ contribution up to two percent (2%) of gross pay. Contributions made for the years ended December 31, 2019 and 2018 totaled $2,252 and $2,083, respectively.

(8) Operating Leases

The Organization leases copiers under operating leases expiring at various dates through 2024. Total lease expense for the years ended December 31, 2019 and 2018 for copier leases totaled $6,327 and $8,364, respectively.

The following is a schedule by year of future minimum lease payments under leases that have initial or remaining lease terms in excess of one year.

Years Ending December 31,	Amount
2020	$ 6,840
2021	6,840
2022	6,840
2023	6,840
2024	1,140
Total	$ 28,500

(9) Concentration of Credit Risk

The Organization maintains cash balances at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2019 and 2018, the Organization’s cash balances were fully secured.

(10) Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Hearts of Hope expects such amounts, if any, to be immaterial. Also, a liability for findings and questioned costs is not established until final disposition of such matters by the funding agency.

(11) Risk Management

Hearts of Hope is exposed to risks of loss in the areas of health care, general liability, property hazards and workers’ compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year. Insurance settlements have not exceeded insurance coverage the past three years.

(12) Compensation, Benefits, and Other Payments to Agency Head

The schedule of compensation, benefits and other payments to Kimberly Young, Executive Director, for the year ended December 31, 2019 follows:

Purpose	Amount
Salary	$ 76,080
Benefits - insurance	10,522
Benefits - retirement	1,385
Telephone	250
Travel	77

(13) New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is evaluating the potential impact of the amendment on the Organization's financial statements.

(14) Change in Accounting Pronouncement

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606), using the modified retrospective approach with January 1, 2019 as the initial date of application; applying to all contracts not completed at the date of application. The Organization elected to use all available practical expedients provided in the transition guidance, which includes the omission of prior-period information about remaining performance obligations which are not material to the prior year restated information. The adoption of Topic 606 did not result in a restatement of net assets as of January 1, 2018 and had no effect on revenues for the year ending December 31, 2019.

During the year ended December 31, 2018, the Organization adopted FASB ASU 2016-14 Not-for-Profit Entities (Topic 958): "Presentation of Financial Statements for Non-Profit Entities". The update was applied to the financial statements retroactively.

Implementation of ASU 2016-14 changed the classification of net assets from three groups to two groups: net assets with donor restrictions and net assets without donor restrictions. In addition, a reporting of expenses by their natural expense classification as well as their functional classification was added, as presented in the Statements of Functional Expenses in the accompanying financial statements. Also, quantitative information in the notes to the financial statements on how an Organization manages its liquid available resources and liquidity risks is required.

(15) Subsequent Event Review

A. On March 22, 2020, the Governor declared a Public Health emergency in Proclamation Number 25 JBE 2020 in response to the threat posed by COVID-19. Effective March 23, 2020, all individuals within the State of Louisiana are under a general stay-at-home order and are directed to stay home unless performing an essential activity. As a result, economic uncertainties have arisen which may impact the ongoing operations of Hearts of Hope; however, the extent and severity of the potential impact in unknown at this time.

B. The Organization's management has evaluated subsequent events through August 11, 2020, the date which the financial statements were available to be issued.

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

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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 Officers and Board of Directors
Hearts of Hope
Lafayette, 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 Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suited for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
August 11, 2020

HEARTS OF HOPE
Lafayette, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2019

Part I. Current Year Findings and Management's Corrective Action Plan

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

2019-001 Inadequate Segregation of Accounting Functions.

Fiscal year finding initially occurred: 2019

CRITERIA: The Organization should have a control policy according to which no person should be given responsibility for more than one related function.

CONDITION: The Organization did not have adequate segregation of accounting functions.

CAUSE: Due to the size of the Organization, there are a small number of available employees.

EFFECT: The Organization has employees that are performing more than one related function.

RECOMMENDATION: The Organization should establish and monitor mitigating controls over functions that are not completely segregated.

MANAGEMENT'S CORRECTION ACTION PLAN: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Part II. Prior Year Findings

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

2018-001 Inadequate Controls over Financial Statement Preparation

CONDITION: Hearts of Hope does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.

RECOMMENDATION: Hearts of Hope should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, to determine if it is in the best interest of the organization to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

CURRENT STATUS: Resolved.

HEARTS OF HOPE

Agreed-Upon Procedures Report

Year Ended December 31, 2019

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Officers and Board of Directors
of Hearts of Hope and the
Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Hearts of Hope (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

(The following written policies and procedures were not reviewed except for the new policy added for Year 3, Disaster Recover/Business Continuity.)

1. We obtained and inspected the entity's written policies and procedures and observed that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   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/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

   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

g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

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.

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

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

Board or Finance Committee

(The following procedures were not performed since there were no exceptions in the prior year.)

2. We obtained and inspected the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

   a) We observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

   b) We observed that the minutes referenced or included monthly budget-to-actual comparisons.

   c) We obtained the prior year audit report and observed the unrestricted net assets. If the entity had a negative ending unrestricted net assets in the prior year audit report, we observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted net assets.

Bank Reconciliations

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the entity's main operating account. We selected the entity's main operating account and randomly selected 5 additional accounts (or all accounts if less than 5). We randomly selected one month from the fiscal period, obtained and inspected the corresponding bank statement and reconciliation for selected accounts, and observed that:

   a) Bank reconciliations included evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

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

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

Collections

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. We randomly selected 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquired of employees about their job duties) at each collection location, and observed that job duties are properly segregated at each collection location such that:

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

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

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

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

6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. We randomly selected two deposit dates for each of the bank accounts selected for procedure #3 under "Bank Reconciliations" above (selected the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly selected a deposit if multiple deposits are made on the same day). Obtained supporting documentation for each of the 10 deposits and:

   a) We observed that receipts are sequentially pre-numbered.

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

   c) We traced the deposit slip total to the actual deposit per the bank statement.

   d) We observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).

   e) We traced the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. We randomly selected 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. We obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observed that job duties are properly segregated such that:

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

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

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

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

10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, obtained supporting documentation for each transaction and:

    a) We observed that the disbursement matched the related original invoice/billing statement.

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

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

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

12. Using the listing prepared by management, we randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtained supporting documentation, and:

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

    b) We observed that finance charges and late fees were not assessed on the selected statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, we observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. We randomly selected 5 reimbursements, obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

    a) If reimbursed using a per diem, we agreed the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

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

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

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

Contracts

(The following procedures were not performed since there were no exceptions in the prior year.)

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

    b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

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

    d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

(The following procedures were not performed since there were no exceptions in the prior year.)

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

    a) Observe that 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) Observe that supervisors approved the attendance and leave of the selected employees/officials.

    c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

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

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

Ethics

(The following procedures were not applicable to nonprofit organizations.)

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

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

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

Debt Service

(The following procedures were not applicable to nonprofit organizations.)

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

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

Other

(The following procedures were not performed since there were no exceptions in the prior year.)

23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. We observed that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions:

No exceptions were found as a result of applying the procedures listed above except:

Written Policies and Procedures:

1. The Organization's written policies and procedures for disaster recovery/business continuity did not address the use of antivirus software, timely application of all available system and software patches/updates, and the identification of personnel, processes, and tools needed to recover operations after a critical event.

   Management's response: Management will revise their policies and procedures to appropriately address all areas.

Collections:

2. The Organization's employees who have access to cash are not covered by a bond or insurance policy for theft.

   Management's response: Management will review the cost-benefit and take the appropriate actions.

3. The Organization did not maintain documentation of the receipt date for collections; therefore, the number of days between collection and deposit could not be determined.

   Management's response: Management will review their policies and procedures and ensure the date of receipt is documented on collections.

Travel:

4. The Organization did not have documentation of the business purpose for 1 of the mileage travel reimbursements.

   Management's response: Management will ensure of travel reimbursement have the appropriate supporting documents.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
August 11, 2020