

FAMILIES HELPING FAMILIES
OF SOUTHEAST LOUISIANA, INC.
NEW ORLEANS, LOUISIANA
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2021



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

TABLE OF CONTENTS

	<u>PAGES</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 3
 <u>FINANCIAL STATEMENTS:</u>	
Exhibit "A" Statements of Financial Position	4
Exhibit "B" Statements of Activities	5
Exhibit "C" Statements of Cash Flows	6
Exhibit "D" Statements of Functional Expenses	7 - 8
Notes to Financial Statements.....	9 - 15
 <u>SUPPLEMENTAL INFORMATION:</u>	
Schedule "1" Schedule of Compensation, Benefits and Other Payments to Agency Head.....	16
 <u>OTHER REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17 - 18
Schedule of Findings and Responses	19 - 20
Summary Schedule of Prior Year Findings	21



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Families Helping Families of Southeast Louisiana, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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.



To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
New Orleans, Louisiana

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families Helping Families of Southeast Louisiana, Inc. as of June 30, 2021, and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 10 to the financial statements, the Organization has suffered recurring losses from operations and has a net asset deficiency. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
New Orleans, Louisiana

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2022 on our consideration of Families Helping Families of Southeast Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Families Helping Families of Southeast Louisiana, Inc.'s internal control over financial reporting and compliance.

August 23, 2022
Mandeville Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 36,262	\$ 146,122
Contract receivables	15,952	-
Other receivables	<u>7,056</u>	<u>6,509</u>
Total current assets	<u>59,270</u>	<u>152,631</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>575</u>	<u>852</u>
<u>OTHER ASSETS</u>	<u>1,232</u>	<u>1,232</u>
Total assets	<u><u>\$ 61,077</u></u>	<u><u>\$ 154,715</u></u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 7,051	\$ 697
Accrued expenses	12,557	1,372
Current portion of long-term debt	<u>-</u>	<u>3,533</u>
Total current liabilities	<u>19,608</u>	<u>5,602</u>
<u>LONG-TERM LIABILITIES:</u>		
Line of credit	73,384	62,498
Long-term debt, net of current portion	<u>106,000</u>	<u>150,707</u>
Total long-term liabilities	<u>179,384</u>	<u>213,205</u>
Total liabilities	198,992	218,807
<u>NET ASSETS (DEFICIT):</u>		
Net assets (deficit) without donor restriction	<u>(137,915)</u>	<u>(64,092)</u>
Total net assets (deficit)	<u>(137,915)</u>	<u>(64,092)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 61,077</u></u>	<u><u>\$ 154,715</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>REVENUES AND OTHER SUPPORT</u>		
Grant revenues	\$ 265,474	\$ 152,051
Contract revenues	166,795	137,618
Contributions and donations	30,688	73,832
Other income	<u>48,244</u>	<u>25,712</u>
 Total revenue and other support	 <u>511,201</u>	 <u>389,213</u>
<u>EXPENSES:</u>		
Program services:		
Information and education	438,768	324,841
Supporting services:		
Management and general	87,754	64,969
Fundraising	<u>58,502</u>	<u>43,312</u>
 Total expenses	 <u>585,024</u>	 <u>433,122</u>
<u>CHANGE IN NET ASSETS</u>	 (73,823)	 (43,909)
Net assets (deficit) without donor restrictions - beginning	<u>(64,092)</u>	<u>(20,183)</u>
Net assets (deficit) without donor restrictions - ending	<u>\$ (137,915)</u>	<u>\$ (64,092)</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS (USED FOR) OPERATING</u>		
<u>ACTIVITIES:</u>		
Change in net assets	\$ (73,823)	\$ (43,909)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	277	967
Loss on disposition of assets	-	1,468
Forgiveness of PPP loan	(48,240)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Contract receivables	(15,952)	-
Grants receivable	-	22,224
Other receivables	(547)	(4,867)
Other assets	-	1,985
Increase (decrease) in:		
Accounts payable	6,354	(9,382)
Accrued payroll liabilities	11,185	(17,113)
	<u>(120,746)</u>	<u>(48,627)</u>
Net cash (used for) operating activities		
<u>CASH FLOWS (USED FOR) INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	<u>-</u>	<u>(874)</u>
Net cash (used for) investing activities	<u>-</u>	<u>(874)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net advances on line of credit	10,886	27,659
Proceeds from issuance of long-term debt	-	106,000
Proceeds from PPP loan	<u>-</u>	<u>48,240</u>
Net cash from financing activities	<u>10,886</u>	<u>181,899</u>
Net (decrease) increase in cash and cash equivalents	(109,860)	132,398
Cash and cash equivalents, beginning of year	<u>146,122</u>	<u>13,724</u>
Cash and cash equivalents, end of year	<u>\$ 36,262</u>	<u>\$ 146,122</u>
<u>SUPPLEMENTAL CASH FLOW DISCLOSURES</u>		
Cash payments for interest	<u>\$ 6,514</u>	<u>\$ 4,016</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Supporting Services</u>		
	Information and Education	Management and General	Fundraising	Total
Expenses:				
Personnel costs	\$ 210,784	\$ 42,157	\$ 28,104	\$ 281,045
Contract services	87,325	17,465	11,643	116,433
Program supplies	68,821	13,764	9,176	91,761
Travel, meetings, & conferences	89	18	12	119
Interest expense	7,072	1,414	943	9,429
Insurance	525	105	70	700
Occupancy and office supplies	55,298	11,060	7,373	73,731
Depreciation	207	42	28	277
Other expense	8,647	1,729	1,153	11,529
	<u>438,768</u>	<u>87,754</u>	<u>58,502</u>	<u>585,024</u>
Total functional expenses	<u>\$ 438,768</u>	<u>\$ 87,754</u>	<u>\$ 58,502</u>	<u>\$ 585,024</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		
	Information and Education	Management and General	Fundraising	Total
Expenses:				
Personnel costs	\$ 191,299	\$ 38,260	\$ 25,507	\$ 255,066
Contract services	58,780	11,756	7,837	78,373
Program supplies	-	-	-	-
Travel, meetings, & conferences	1,963	393	261	2,617
Interest expense	3,012	602	402	4,016
Insurance	149	30	20	199
Occupancy and office supplies	38,105	7,621	5,080	50,806
Depreciation	724	145	98	967
Other expense	30,809	6,162	4,107	41,078
	<u>324,841</u>	<u>64,969</u>	<u>43,312</u>	<u>433,122</u>
Total functional expenses	<u>\$ 324,841</u>	<u>\$ 64,969</u>	<u>\$ 43,312</u>	<u>\$ 433,122</u>

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Families Helping Families of Southeast Louisiana, Inc., (the Organization) is a non-profit corporation, operating primarily in Orleans and St. Bernard Parishes, organized to provide informational support and educational services to area families who have family members with special needs (disabilities) through a coordinated network of resources, support, and services. The primary sources of revenue are from Federal, State, and public grants.

Method of Accounting and Financial Reporting Framework

Assets and liabilities and revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board.

Use of Estimates

In preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Donated Assets and Services

The Organization records noncash donations as contributions at their estimated fair value at the date of donation and are recorded as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes donated services at fair value, if such services are significant in amount, create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable consists of amounts owed from various Federal, State, and Local government agencies for grants and fee for service programs. These amounts are presented at fair value and management estimates that all are collectible.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property and equipment are made with unrestricted assets. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method over a three to ten year period. Additions, improvements, or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Income Taxes

The Organization is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and have been classified as organizations other than a private foundation under Section 509(a)(2). The Organization's evaluation as of June 30, 2021 revealed no tax positions that would have a material impact on the financial statements. The 2018 through 2020 tax years remain subject to examination by the IRS. UNITY does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Deferred Revenue

Advanced payments from grantors for expected contractual services to be performed in a future period are recorded as deferred revenues until the related program functions are performed or services are rendered.

Functional Expense Allocation

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Directly identifiable expenses are charged to programs, management and general, and fundraising. Expenses related to more than one function are charged to programs, management and general, and fundraising on the basis of periodic time and expense studies.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue

Contributed support that is restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Private grant revenue is recognized as it is earned in accordance with approved agreements. Grants that contain certain compliance recapture provisions are recognized over the term of the compliance period or at the end of the compliance period, depending on the agreement.

Fee for service income is recognized as performance obligations under the contracts are satisfied. Performance obligations are typically to provide support services to individuals and their families. Management has determined that the performance obligations are recognized over time as the frequency of service is not stipulated in the contracts. Advances under the agreements are recorded as contract liabilities until such time as the performance obligations are met.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The ASU and all subsequently issued clarifying ASUs superseded the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customer. The Organization adopted this standard. This adoption did not have a material effect on the financial statements.

Date of Management's Review

Subsequent events have been evaluated through August 23, 2022, which is the date the financial statements were available to be issued.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has financial assets of \$59,270 and \$152,631 as of June 30, 2021 and 2020 respectively. There are no restrictions on these assets as of June 30, 2021 and 2020. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its restricted contributions other than amounts appropriated for general expenditure as part of its annual budget approval process, amounts from its contributions could be made available if necessary.

(3) CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in local financial institutions that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash balances were not in excess of the FDIC insurance as of June 30, 2021 or 2020. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

(4) PROPERTY AND EQUIPMENT

As of June 30, 2021 or 2020, property and equipment consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 12,399	\$ 12,399
Computers	22,258	22,258
Less: accumulated depreciation	<u>(34,082)</u>	<u>(33,805)</u>
Property and equipment, net	<u>\$ 575</u>	<u>\$ 852</u>

Depreciation expense for the years ended June 30, 2021 or 2020 was \$277 and \$967, respectively.

(5) LINE OF CREDIT

The Organization has a line of credit agreement with a financial institution of \$75,000. The balance on the line of credit was \$73,384 and \$62,498 at June 30, 2021 and 2020 respectively. The line bears interest at the Wall Street Journal's prime lending rate plus 2.75%, 6.00% as of June 30, 2021 and 2020. The line of credit matures on March 2, 2023.

Interest costs incurred on the line of credit and charged to expense as of June 30, 2021 and 2020 totaled \$6,514 and \$4,016, respectively. Total cash payments for interest were \$6,514 and \$4,016 during the respective years.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(6) LONG-TERM DEBT

In response to the coronavirus (COVID-19) outbreak in 2020, the Small Business Administration (SBA) offered loans to certain organizations and businesses as relief for the economic restrictions caused by the pandemic. The Organization obtained an Economic Injury Disaster Loan (EIDL) of \$106,000 and a loan under the Paycheck Protection Program (PPP) of \$48,240. The PPP loan had a stated interest rate of 1% and a stated maturity date of May 11, 2026; however, the Organization received full forgiveness of the loan during 2020 and recognized \$48,240 into other income. The EIDL loan carries an interest rate of 2.75% and matures on June 27, 2050. The loan requires payments of \$453 monthly, commencing on December 27, 2022, including applicable deferral periods granted by the SBA. There is no penalty for early repayment. The future minimum principal payments under the EIDL loan as of June 30, 2021 for next five fiscal years and thereafter is as follows:

2022	\$	-
2023		-
2024		-
2025		440
2026		2,565
Thereafter		<u>102,995</u>
	<u>\$</u>	<u>106,000</u>

Interest costs accrued and charged to expense totaled \$2,915 during the year ended June 30, 2021. No cash payments of interest were made on long-term debt.

(7) CONTRACTS WITH CUSTOMERS

The Organization was established to provide informational support and educational services to area families who have family members with special needs. A substantial portion of the Organization's support and revenue is derived from contracts for the programs conducted. The various contracts are approved on a year-to-year basis. Any unexpended funds or unauthorized expenditures must be refunded. The Organization received approximately 36% and 35% of its revenue from these programs for the years ended June 30, 2021 or 2020, respectively. The Organization's contract receivables of \$15,952 at June 30, 2021 were payments due on these contracts.

Amounts received and receivable from federal and state grantor agencies are subject to audit and adjustment by those agencies, principally the Metropolitan Health Services District, the Louisiana Department of Education and the Louisiana Developmental Disabilities Council. Any disallowed costs, including amounts already reimbursed, may constitute a liability to the Organization. The amount of expenditures, if any, which may be disallowed by the grantors cannot be determined at this time, although the Organization expects any such amounts to be minimal. Any adjustments for disallowed costs would be recognized in the period agreed upon by the grantor agency and the Organization.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(8) THIRD-PARTY REVENUES

A substantial share of contract revenues for services to clients are derived under a state third-party reimbursement program. These revenues are based, in part, on cost reimbursement principles and are subject to adjustments by the respective third-party providers. Retroactive adjustments, if any, are not expected to be material to the financial position or results of operations of the Organization.

(9) OFFICE LEASE

On July 1, 2018 the Organization entered into a lease agreement through June 30, 2021 with the Orleans Parish School Board for the use of its office space. The agreement stipulated that the building would be given in exchange for services provided by the Organization. The fair market value of the rental for the years ended June 30, 2021 and 2020 was estimated to be \$30,688 which was recorded as contribution revenue and rental expense.

(10) ABILITY TO CONTINUE AS A GOING CONCERN

The Organization has a net asset deficiency of \$137,915 as of June 30, 2021 and its cash position decreased by over \$100,000 during the year. Additionally, the Organization's line of credit matures on March 2, 2023. Management is considering plans to restructure its debts and is working to ensure the Organization has sufficient unrestricted funding to repay its debts as they become due.

(11) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, "*Leases*." This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. Deferring the effective date of Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, the FASB has issued Update No. 2019-10, "*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)*." The FASB further delayed the implementation date by one year through ASU 2020-05 "*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*." Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. The Organization plans to adopt this Update as applicable by the effective date.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020

(11) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2020-07, “*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.*” This Update seeks to increase transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP’s programs and other activities. This Update will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization plans to adopt this Update as applicable by the effective date.

(12) RECLASSIFICATIONS TO PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY
HEAD
FOR THE YEAR ENDED JUNE 30, 2021

	Executive Director Aisha Johnson
Time served	7/1/2020 through 6/30/2021
Salary	\$ 42,798
Benefits-Fica & Medicare	3,310
Reimbursements	374
Total compensation, benefits and other payments	\$ 46,482



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Families Helping Families of Southeast Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 23, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Families Helping Families of Southeast Louisiana, 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 Families Helping Families of Southeast Louisiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Families Helping Families of Southeast Louisiana, Inc.'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 have not been identified. We did identify two certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be material weaknesses.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of
Families Helping Families of Southeast Louisiana, Inc.
August 23, 2022

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Families Helping Families of Southeast Louisiana, Inc.'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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Families Helping Families of Southeast Louisiana, Inc.'s Response to Findings

Families Helping Families of Southeast Louisiana, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Families Helping Families of Southeast Louisiana, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Families Helping Families of Southeast Louisiana, Inc.'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 Families Helping Families of Southeast Louisiana, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

August 23, 2022
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The Auditors' report expresses an unmodified opinion on the financial statements of Families Helping Families of Southeast Louisiana, Inc.
2. Two material weaknesses disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of Families Helping Families of Southeast Louisiana, Inc. were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. A management letter was issued for the year ended June 30, 2021.

SECTION II FINANCIAL STATEMENT FINDINGS

2021-001 RECONCILIATION OF STATEMENT OF FINANCIAL POSITION
ACCOUNTS

Criteria: Financial statements prepared to conform to generally accepted accounting principles should include all necessary accruals.

Condition: During our audit procedures, we noted that beginning balances did not roll from the prior audit period, which caused balances in asset and liability accounts to differ from actual. We additionally noted several accruals that were not recorded at year end.

Effect: A material adjustment was made to appropriately record prior year audit entries and preserve prior year account balances at audited amounts. Other adjustments were made to the financial statements for accrual that were qualitatively and quantitatively, in the aggregate, material to the financial statements.

Cause: Families Helping Families of Southeast Louisiana, Inc. was not performing regular reconciliations of its accounts outside of cash accounts, which would have allowed it to identify the problem sooner.

Recommendation: Management should adjust its reconciliation procedures to ensure that all accounts are appropriately recorded for fiscal year end. Families Helping Families of Southeast Louisiana, Inc. can avoid reconciliation discrepancies or surprise adjustments by recording appropriately closing transactions monthly.

Management's Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

2021-002 LACK OF ADEQUATE SUPPORTING DOCUMENTATION

Criteria: Adequate internal controls should include maintaining sufficient records (invoices, receipts, grant documents, contracts, agreements, etc.) to support the transactions underlying the related financial statement amounts.

Condition: During our revenue and expense testing we noted instances where supporting documentation, which include invoices and grant documents, was not available for review for certain transactions.

Effect: The lack of adequate internal controls to maintain sufficient supporting documentation creates an environment where financial statement amounts can easily be materially misstated.

Cause: Entries to the accounting software lack sufficient detail to determine the appropriate support and supporting documentation is not stored in a secure and readily accessible filing system.

Recommendation: Orderly filing should be maintained to ensure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc. We recommend implementation of an online filing system with a trusted service provider.

Management's Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

2021-003 Non-Compliance with Louisiana's Financial Reporting Laws

Criteria: The Organization is required to provide an annual financial report to the Louisiana Legislative Auditor no later than six months after its year end.

Condition: The Organization failed to comply with these laws, submitting the required report approximately 14 months after the required deadline.

Effect: The Organization is not in compliance with Louisiana Revised Statutes 24:513 and 24:514.

Cause: The Organization did not have the proper procedures in place to ensure compliance with these laws.

Recommendation: The Board of Directors should put policies and procedures in place to ensure that required annual reports are filed in a timely manner.

Management's Response: See Management's Corrective Action Plan for their response.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

2020-001 Accounts not reconciled accurately or reviewed properly

Families Helping Families of Southeast Louisiana, Inc. has a process and procedures in place for preparation and review of account reconciliations, including bank reconciliations, but that process and those procedures are not always being followed or operating effectively.

This issue has not been fully resolved and has been repeated, in part, for the year ended June 30, 2021.

SECTION II MANAGEMENT LETTER

No management letter was issued for the year ended June 30, 2020.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

August 23, 2022

Michael J. Waguespack, CPA
Louisiana Legislative Auditor

Families Helping Families of Southeast Louisiana, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: James E. Tonglet

Audit Period: 7/1/2020 to 6/30/2021

The findings from the June 30, 2021 schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in schedule of findings and responses

SECTION II FINANCIAL STATEMENT FINDINGS

Material Weaknesses

2021-001 RECONCILIATION OF STATEMENT OF FINANCIAL POSITION ACCOUNTS

Recommendation: Management should adjust its reconciliation procedures to ensure that all accounts are properly recorded for fiscal year end. Families Helping Families of Southeast Louisiana, Inc. can avoid reconciliation discrepancies by recording appropriate closing transactions monthly.

Response: Families Helping Families of Southeast Louisiana, Inc. agrees with the finding and will work to implement the recommendation through the appropriate reconciliation of accounts.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
CORRECTIVE ACTION PLAN (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

2021-002 LACK OF ADEQUATE SUPPORTING DOCUMENTATION

Recommendation: Orderly filing should be maintained to ensure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc. We recommend implementation of an online filing system with a trusted service provider.

Response: Management agrees with the recommendation and review its records retention policies and systems to ensure access to appropriate documentation.

Instance of Non-Compliance

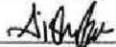
2021-003 Non-Compliance with Louisiana's Financial Reporting Laws

Recommendation: The Board of Directors should put policies and procedures into place to ensure that required annual reports are filed in a timely manner.

Response: Management agrees with the recommendation and will be compliant with its 2022 filing.

If there are any questions regarding this plan, please call the Executive Director, Aisha Johnson, at (504) 943-0343.

Sincerely,


Aisha Johnson (Aug 28, 2022 15:29 CDT)

Signature

Executive Director

Title



MANAGEMENT LETTER

To the Board of Directors of the
Families Helping Families of Southeast Louisiana, Inc.

In planning and performing our audit of the financial statements of Families Helping Families of Southeast Louisiana, Inc. (“the Organization”), as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing 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 our opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions concerning these matters. This letter does not affect our report dated August 23, 2022, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various the Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2021-004 Timeliness of Bank Reconciliation

Our review of June 30, 2021 bank reconciliations revealed that bank reconciliations were performed two to four months after year end. We recommend that the control operate closer to month end as reviewing bank reconciliations in a timely fashion helps to reduce the risk that fraud or errors will go undetected or uncorrected.

2021-005 Consider Alternative Financing Options

During the audit, we noted that the Organization was at or near the limit on its line of credit for much of the year. Lines of credit are intended for short-term financing and, therefore, carry higher rates of interest than longer-term financing. The line of credit currently carries a variable 8.25% rate of interest, and there is potential for further increases in the coming months. Management should perform a study on its capital structure and cash flow to determine the optimal financing structure to support the Organization’s operations. Debt with a fixed interest rate will likely be preferable to carrying a large line of credit balance.



To the Board of Directors of the
Families Helping Families of Southeast Louisiana, Inc.
August 23, 2022
Page 2

2021-006 Cash Management

We noted overdraft fees being charged to the Organization's bank account during the fiscal year. Many of the fees were due to payroll being drafted from an account with insufficient funds. Each overdraft results in a \$35 charge, and each payroll check in the periods we reviewed was one overdraft. These overdraft fees can quickly add up and be destructive on the Organization's finances. We recommend the organization set up a payroll sweep account to help manage payroll draws. In order to mitigate the chronic cash shortages, the Organization could consider the following:

- To the extent possible, convert paper checks to electronic payments to further accelerate the flow of customer payments into the Company's bank account.
- Regularly prepare timely and accurate bank reconciliations for management's review.
- Consider arranging for an automatic overdraft facility at the bank to cover checks written and to avoid having checks returned for insufficient funds. Also, consider use of a money market fund or cash management account that has check writing privileges on interest-bearing accounts.
- Maximize cash availability by holding vendor payments the full time allowable, without sacrificing significant vendor discounts.
- Prepare an operating cash budget and use it regularly for seeking opportunities to invest excess cash, as in weekend rollovers, money market accounts, treasury bills, or certificates of deposit.
- Improve collection policies in order to improve cash flow by (a) following up promptly on past-due accounts, (b) referring overdue accounts for collection, (c) offering a one-time-only cash discount, no matter how old the receivable, and (d) exploring the possibility of converting an account receivable into a note receivable, especially one that can be discounted.
- Develop a weekly forecast of cash requirements and receipts projected over the following four-week period, and develop a daily report that summarizes changes in cash position, outstanding accounts receivable and payable, and the borrowing or temporary investment position.

2021-007 Automated Fraud Detection and Prevention

We noted through discussions with management that immaterial fraud occurred during the year and the Organization was late in reporting it to the bank. We recommend the Organization take advantage of check and ACH verification software with its bank and cease the use of Paypal for bill payment.



To the Board of Directors of the
Families Helping Families of Southeast Louisiana, Inc.
August 23, 2022
Page 3

2021-008 Update Accounting Policies and Procedures

The Louisiana Legislative Auditor has published best practices and guides for auditee's accounting policies and procedures. Our review of written policies and procedures revealed that many of the best practice areas were not currently covered by the Organization. We recommend management review its policies and procedures manual to ensure it is in-line with best practices. Nonprofit organizations with revenues of greater than \$500,000 in public funds are required to have testing performed relative to their policies to note deviations from the best practices.

2021-009 General Ledger Documentation

During our audit, we noted that the general ledger was exceedingly difficult to use. Memos, document numbers, and descriptions in the ledger were not accurate to what was being purchased for expenditures and revenue entries often did not contain documentation of the purpose. We recommend management review its use of Quickbooks and enforce the use of clear descriptions and entries.

2021-010 Employee Receivables

The Organization has outstanding employee receivables as of June 30, 2021 and is not in a position to lend funds to employees. We recommend management work to collect the employee receivables as soon as possible in order to bolster its cash position.

2021-011 Classification of Revenues

The Organization's primary revenue sources are grants, contracts, and contributions. We noted some variability in how each were classified within the general ledger. Primarily, the Organization should take care to classify contracts separately from grants and contributions because the revenue recognition for these types of revenues are different. For purposes of financial statement presentation, we have made reclassifications of certain items recorded as grant revenues to fee for service income.

This letter is intended solely for the information and use of the Organization and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

August 23, 2022
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

August 23, 2022

Michael J. Waguespack, CPA
Louisiana Legislative Auditor

Families Helping Families of Southeast Louisiana, Inc., respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: James E. Tonglet

Audit Period: 7/1/2020 to 6/30/2021

The recommendations from the August 23, 2022 management letter are discussed below. The recommendations are numbered consistently with the numbers assigned in the management letter.

2021-004 Timeliness of Bank Reconciliations

Recommendation: We recommend that the control operate closer to month end as reviewing bank reconciliations in a timely fashion helps to reduce the risk that fraud or errors will go undetected or uncorrected.

Response: Management agrees with the recommendation and will require that the reconciliations be performed closer to month end.

2021-005 Consider Alternative Financing Options

Recommendation: Management should perform a study on its capital structure and cash flow to determine the optimal financing structure to support the Organization's operations.

Response: Management agrees with the recommendation and will continue to perform on-going reviews of its capital structure.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS (CONTINUED)
JUNE 30, 2021

2021-006 Cash Management

Recommendation: We recommend the organization set up a payroll sweep account to help manage payroll draws. We additionally recommend management consider other ways to improve its cash flow.

Response: Management agrees with the recommendation and will review its procedures to determine the optimal cash flow structure to avoid overdraft or insufficient fund charges.

2021-007 Automated Fraud Detection and Prevention

Recommendation: We recommend the Organization take advantage of check and ACH verification software with its bank and cease the use of Paypal for bill payment.

Response: Management agrees with the recommendation and will review its controls over its checking accounts to ensure that fraud can adequately be prevented or detected.

2021-008 Update Accounting Policies and Procedures

Recommendation: We recommend management review its policies and procedures manual to ensure it is in-line with best practices.

Response: Management agrees with the recommendation and will review its manuals to ensure adherence to best practices.

2021-009 General Ledger Documentation

Recommendation: We recommend management review its use of Quickbooks and enforce the use of clear descriptions and entries.

Response: Management agrees with the recommendation and will review its procedures for entering transactions into Quickbooks Online.

2021-010 Employee Receivables

Recommendation: We recommend management work to collect the employee receivables as soon as possible in order to bolster its cash position.

Response: Management agrees with the recommendation and will work on collection of its receivables.

FAMILIES HELPING FAMILIES OF SOUTHEAST LOUISIANA, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS (CONTINUED)
JUNE 30, 2021

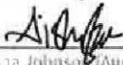
2021-011 Classification of Revenues

Recommendation: We recommend management take care to classify contracts separately from grants and contributions.

Response: Management agrees with the recommendation and will review its recordkeeping processes.

If there are any questions regarding this plan, please call the Executive Director, Aisha Johnson, at (504) 943-0343.

Sincerely,



Aisha Johnson (Aug, 28, 2021 15:29 CDT)

Signature

Executive Director

Title