RECONCILE NEW ORLEANS, INC.
AND SUBSIDIARIES

Audits of Consolidated Financial Statements

December 31, 2019 and 2018

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

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Independent Auditor's Report

To the Board of Directors
Reconcile New Orleans, Inc. and Subsidiaries
New Orleans, Louisiana

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Reconcile New Orleans, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reconcile New Orleans, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of the laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Covington, LA
June 17, 2020

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2019 and 2018

		2019		2018
Assets				
Current Assets				
Cash	$	312,575	$	116,366
Accounts Receivable, Net		1,638,191		180,413
Prepaid Expenses and Other Assets		17,770		26,578
Inventory		4,102		6,427
Total Current Assets		1,972,638		329,784
Property and Equipment, Net		4,249,176		4,429,637
Total Assets	$	6,221,814	$	4,759,421
Liabilities and Net Assets				
Current Liabilities				
Lines of Credit	$	-	$	188,774
Accounts Payable		109,924		135,439
Deferred Revenue		20,000		10,000
Salaries, Taxes, and Withholdings Payable		29,635		24,713
Notes Payable - Current Portion		18,785		18,321
Accrued Interest Payable		-		21,645
Total Current Liabilities		178,344		398,892
Long-Term Liabilities				
Notes Payable, Less Current Maturities		1,035,230		1,054,706
Total Long-Term Liabilities		1,035,230		1,054,706
Total Liabilities		1,213,574		1,453,598
Net Assets				
Without Donor Restrictions		3,546,791		3,286,716
With Donor Restrictions		1,461,449		19,107
Total Net Assets		5,008,240		3,305,823
Total Liabilities and Net Assets	$	6,221,814	$	4,759,421

The accompanying notes are an integral part of these financial statements.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants	$ 170,392	$ 2,250,000	$ 2,420,392
Total Support	170,392	2,250,000	2,420,392
Revenues and Gains			
Restaurant Sales	239,634	-	239,634
Catering Sales	201,946	-	201,946
Contributions and Donations	423,338	-	423,338
Service Charges	19,575	-	19,575
Other	79,251	-	79,251
State Funding	631,261	-	631,261
Rental Income	102,590	-	102,590
	1,697,595	-	1,697,595
Net Assets Released from Restrictions	807,658	(807,658)	-
Total Revenues and Gains	2,505,253	(807,658)	1,697,595
Total Support and Revenues	2,675,645	1,442,342	4,117,987
Expenses			
Program Expenses			
Workforce Development Program	1,398,578	-	1,398,578
Supporting Services			
Management and General	768,372	-	768,372
Fundraising	248,620	-	248,620
Total Expenses	2,415,570	-	2,415,570
Change in Net Assets	260,075	1,442,342	1,702,417
Net Assets, Beginning of Year	3,286,716	19,107	3,305,823
Net Assets, End of Year	$ 3,546,791	$ 1,461,449	$ 5,008,240

The accompanying notes are an integral part of these financial statements.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants	$ 309,138	$ 93,500	$ 402,638
Total Support	309,138	93,500	402,638
Revenues and Gains			
Restaurant Sales	269,021	-	269,021
Catering Sales	230,496	-	230,496
Contributions and Donations	2,034,326	-	2,034,326
Fundraisers	55,465	-	55,465
Service Charges	32,478	-	32,478
Other	68,135	-	68,135
State Funding	270,135	-	270,135
Rental Income	113,567	-	113,567
Gain on Sale of Property and Equipment	14,451	-	14,451
	3,088,074	-	3,088,074
Net Assets Released from Restrictions	665,330	(665,330)	-
Total Revenues and Gains	3,753,404	(665,330)	3,088,074
Total Support and Revenues	4,062,542	(571,830)	3,490,712
Expenses			
Program Expenses			
Workforce Development Program	1,423,167	-	1,423,167
Supporting Services			
Management and General	1,137,065	-	1,137,065
Fundraising	194,643	-	194,643
Total Expenses	2,754,875	-	2,754,875
Change in Net Assets	1,307,667	(571,830)	735,837
Net Assets, Beginning of Year	1,789,179	590,937	2,380,116
Contributions	204,678	-	204,678
Distributions	(14,808)	-	(14,808)
Net Assets, End of Year	$ 3,286,716	$ 19,107	$ 3,305,823

The accompanying notes are an integral part of these consolidated financial statements.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Supporting Services		
	Workforce Development Program	Management and General	Fundraising	Total
Salaries	$ 708,933	$ 336,942	$ 109,287	$ 1,155,162
Employee Benefits	153,133	49,828	22,856	225,817
Depreciation and Amortization	-	187,842	-	187,842
Cost of Sales - Food and Beverage	105,708	47,572	-	153,280
Contractual Services and Professional Fees	48,115	76,453	13,197	137,765
Student Assistance Expense	113,592	-	-	113,592
Utilities	62,742	21,538	9,365	93,645
Operating Supplies	46,525	6,589	18,787	71,901
Marketing and Public Relations	23,676	1,691	33,189	58,556
Insurance	33,893	11,635	5,059	50,587
Building and Equipment Repairs	27,405	11,023	4,090	42,518
Meals - Employee	31,102	3,260	1,417	35,779
Credit Card Fees	6,825	7,450	1,019	15,294
Interest and Bank Service Charges	-	14,425	-	14,425
Technology and Software Maintenance	8,887	788	3,536	13,211
Telephone	8,428	2,892	1,258	12,578
Grant Writing Expense	-	-	12,234	12,234
Fees, Dues, and Subscriptions	2,620	7,716	-	10,336
Uniforms	6,950	-	-	6,950
Travel	3,915	198	-	4,113
Equipment Rental	2,398	725	358	3,481
Bad Debt Expense	-	2,729	-	2,729
Storage	-	1,908	-	1,908
Postage and Delivery	-	753	-	753
Volunteer Expense	-	-	623	623
Other	3,731	(25,585)	12,345	(9,509)
Total	$ 1,398,578	$ 768,372	$ 248,620	$ 2,415,570

The accompanying notes are an integral part of these consolidated financial statements.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Supporting Services		
	Workforce Development Program	Management and General	Fundraising	Total
Salaries	$ 748,212	$ 269,380	$ 108,958	$ 1,126,550
Employee Benefits	151,305	50,356	26,314	227,975
Depreciation	-	197,650	-	197,650
Cost of Sales - Food and Beverage	126,595	47,624	-	174,219
Contractual Services and Professional Fees	35,935	108,683	3,572	148,190
Interest and Bank Service Charges	-	147,601	-	147,601
Student Assistance Expense	102,901	-	-	102,901
Meals - Employee	30,808	56,670	3,237	90,715
Utilities	46,806	36,694	-	83,500
Marketing and Public Relations	22,011	26,572	23,061	71,644
Bad Debt Expense	-	71,068	-	71,068
Operating Supplies	35,726	25,046	1,068	61,840
Other	3,246	41,948	9,330	54,524
Insurance	35,218	15,841	-	51,059
Building and Equipment Repairs	28,854	7,805	-	36,659
Fees, Dues, and Subscriptions	16,076	10,780	2,796	29,652
Telephone	17,393	7,814	-	25,207
Credit Card Fees	6,076	8,940	1,057	16,073
Grant Writing Expense	-	-	15,250	15,250
Uniforms	6,881	-	-	6,881
Travel	5,653	163	-	5,816
Equipment Rental	3,460	66	-	3,526
Postage and Delivery	-	2,711	-	2,711
Storage	-	2,201	-	2,201
Technology and Software Maintenance	-	787	-	787
Volunteer Expense	11	665	-	676
Total	$ 1,423,167	$ 1,137,065	$ 194,643	$ 2,754,875

The accompanying notes are an integral part of these consolidated financial statements.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	$ 1,702,417	$ 735,837
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by (Used in) Operating Activities		
Depreciation	187,842	197,650
Bad Debt Expense	2,729	71,068
Gain on Sale of Property and Equipment	-	(14,451)
Extinguishment of Debt Contribution	-	(1,600,000)
(Increase) Decrease in Operating Assets		
Accounts Receivable, Net	(1,460,507)	418,324
Prepaid Expenses and Other Assets	8,808	(371)
Inventory	2,325	1,366
(Decrease) Increase in Operating Liabilities		
Accrued Interest Payable	(21,645)	21,645
Accounts Payable	(25,515)	(18,992)
Deferred Revenue	10,000	10,000
Salaries, Taxes, and Withholdings Payable	4,922	12,404
Net Cash Provided by (Used in) Operating Activities	411,376	(165,520)
Cash Flows from Investing Activities		
Proceeds from Sale of Property and Equipment	-	17,476
Purchase of Property and Equipment	(7,381)	(83,014)
Net Cash Used in Investing Activities	(7,381)	(65,538)
Cash Flows from Financing Activities		
Proceeds from Lines of Credit	49,000	429,090
Payments on Lines of Credit	(237,774)	(290,316)
Payments on Notes Payable	(19,012)	(18,537)
Payments on Construction Loan Payable	-	(38,869)
Contributions	-	204,678
Distributions	-	(14,808)
Net Cash (Used in) Provided by Financing Activities	(207,786)	271,238
Net Increase in Cash	196,209	40,180
Cash, Beginning of Year	116,366	76,186
Cash, End of Year	$ 312,575	$ 116,366
Supplemental Disclosure of Cash Flow Information		
Interest Expense Paid During the Year	$ 9,483	$ 117,627
Supplemental Disclosure of Non-Cash Financing Transactions		
Extinguishment of Debt Contribution	$ -	$ 1,600,000

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Background and General Data

Reconcile New Orleans, Inc. (RNO) is a not-for-profit organization with the mission to transform the lives of young adults and the community through the ministry of reconciliation. RNO was initially founded as LSF Foundation named Desire, Inc., incorporated on January 10, 1997 and changed to its current corporate name on October 21, 2002. RNO's Workforce Development Program provides on the job training in the hospitality industry, life skill instruction, and ongoing mentoring to connect alums to employment or other wrap around supports.

RNO operates through its wholly-owned subsidiaries:

- Reconcile New Orleans, Inc. operates a restaurant business and also houses most corporate functions, such as accounting, HR, marketing, and executive offices.
- Café Reconcile Catering, LLC (Catering) caters events of varying sizes throughout the metropolitan area.
- Café Reconcile Landlord, LLC (Landlord) leases land and property from RNO and subleases said property and land to Café Reconcile Tenant, LLC (Tenant).
- Reconcile New Orleans Investments, LLC (Investments) holds RNO's interest in Tenant.

In 2011, RNO, through Landlord, entered into an agreement with an unrelated third party with the primary purpose to develop, rehabilitate, own, maintain, and lease a commercial building owned by RNO and located at 1631 Oretha Castle Haley Blvd. (the Property) in New Orleans.

Pursuant to the Federal Historic Rehabilitation Tax Credit Agreement dated August 22, 2011 (Landlord Operating Agreement), RNO leases the property to Landlord, which executed a 32-year triple net lease with Tenant. Historic tax credits received by RNO or its subsidiaries are passed through to Tenant pursuant to section 50(d) of the Internal Revenue Code. In exchange a third-party investor made a capital commitment equivalent to 76.5% of the historic tax credits received. RNO is subject to indemnification clauses in the event of recapture, disallowance, recovery, forfeiture, or reclamation of the historic tax credits received.

Tenant operates the property and is responsible for the day-to-day operations. Tenant does not own the property or the improvements nor is it responsible for any mortgage payments under the lease agreement.

Basis of Accounting

The consolidated financial statements of RNO have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Note 2. Summary of Significant Accounting Policies

Basis of Consolidation

For the years ended December 31, 2019 and 2018, the consolidated financial statements include RNO's wholly-owned subsidiaries, Café Reconcile Landlord, LLC; Café Reconcile Catering, LLC; Reconcile New Orleans Investments, LLC; and Café Reconcile Tenant, LLC. RNO has direct authority to determine the financial and operating functions for these entities. The assets, liabilities, revenue, and expenses of the individual subsidiaries are fully consolidated. All intercompany balances and transactions are eliminated at the consolidated financial statement level.

Basis of Presentation

The accompanying financial statements have been prepared to focus on RNO as a whole and to present its net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of RNO and changes therein are classified and reported in two classes of net assets - without donor restrictions and with donor restrictions, as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of RNO are included in this category.

Net Assets With Donor Restrictions - Net assets include gifts and contributions for which donor-imposed restrictions have not been met. Some income is reflected in net assets with donor restrictions until utilized for donor-imposed restrictions.

Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as a decrease in net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual reported amounts of revenues and expenses during the reporting period could differ from those estimates.

Cash

For the purposes of the statement of cash flows, RNO considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2019 or 2018.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, requires revenues to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. This standard does not impact RNO's recognition of revenue from restaurant or catering sales as those sales are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. Rental income is also not impacted by this standard as those revenues are subject to the guidance in ASC 840, *Leases*.

Contributions, Donations, and Grants
Contributions, donations, and grants are recorded as revenue when an unconditional promise to give has been made. Contributions, donations, and grants are considered available for RNO's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as increases in net assets with donor restrictions. Amounts received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions.

State Funding
A portion of RNO's revenue is derived from cost-reimbursable state contracts, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when RNO has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding accounts receivable and charges to expense any balances that are determined to be non-collectible or establishes an allowance for doubtful accounts. At December 31, 2019 and 2018, the allowance for doubtful accounts totaled $55,249 and $60,450, respectively. The balance in accounts receivable, net on January 1, 2018 totaled $669,805.

Inventory

Inventory consists primarily of food and related food products. Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Note 2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Land, buildings, building improvements, furniture and fixtures, and equipment are recorded at cost or estimated cost. Donated items received are recorded at the fair value at time of receipt. RNO capitalizes all fixed asset acquisitions greater than $1,000 and over. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. Equipment purchased with grant funds that revert to the funding source are expensed at time of acquisition without consideration of cost. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized.

Buildings, building improvements, furniture and fixtures, and equipment are depreciated using the straight-line method and the following estimated useful lives:

Assets	Estimated Useful Lives
Buildings	20 Years
Building Improvements	15 Years
Furniture and Fixtures	5 Years
Equipment	5 Years
Other Assets	5 Years

Impairment of Long-Lived Assets

RNO reviews its long-lived assets, including property and equipment and other intangibles, for impairment when an event or change in facts and circumstances indicates that their carrying amount may not be recoverable, but at least annually. RNO determines recoverability of the assets by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. There were no such charges for impairment during the years ended December 31, 2019 and 2018.

Income Taxes

RNO is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. RNO believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising Expense

RNO expenses advertising costs as incurred. Total advertising for the years ended December 31, 2019 and 2018, was $23,053 and $10,606 respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, cost of sales - food and beverage, contractual services and professional fees, meals - employee, utilities, marketing and public relations, operating supplies, insurance, building and equipment repairs, fees, dues and subscriptions, telephone, credit card fees, travel, equipment rental, volunteer expense, and other, which are allocated on the basis of estimates of time and effort.

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard also provides a number of practical expedients. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021. Management is currently evaluating the impact of the pending adoption of the new standard on its consolidated financial statements, as well as the election of any available practical expedients and the manner of the modified retrospective transition approach.

Recent Accounting Pronouncements - Adopted

In May 2014, the FASB issued authoritative guidance on accounting for revenue recognition, codified ASC Topic 606, *Revenue from Contracts with Customers.* This guidance is based on the principle that revenue is recognized to depict the transfer of 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 guidance also requires additional disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgements and assets recognized from costs incurred to obtain or fulfill a contract.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Adopted (Continued)

RNO adopted Topic 606 as of January 1, 2019 using the modified retrospective method of adoption. Results for reporting periods beginning after January 1, 2019 are presented under the guidelines of Topic 606, while prior period amounts have not been adjusted and continue to be reported under the accounting standards in effect for those periods. Upon adoption of Topic 606, RNO did not recognize a cumulative effect adjustment of initially applying the standard as no material adjustments to contracts not completed as of the date of adoption were identified. The adoption of Topic 606 did not materially impact the amount of revenue recognized or any other financial statement line item as of and for the year ended December 31, 2019. RNO has included the additional disclosures required under Topic 606 in Note 2.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 have been applied to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Note 3. Grants Receivable

Grants receivable at December 31, 2019 and 2018, totaled $1,487,325 and $29,000, respectively, and is included in accounts receivable, net on the consolidated statements of financial position. This amount represents grants pledged, but not yet received. Grants receivable are primarily from pledges that have a time restriction attached to them.

Note 4. Concentration of Risk

The primary funding sources for RNO are restaurant and catering sales and grants. If the amount of funds received from sales and other funding sources falls below operating levels, RNO's operating results could be adversely affected.

RNO periodically maintains deposits in financial institutions that exceed the insured amount of $250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). RNO believes it is not exposed to any significant credit risk to cash. At December 31, 2019 the amount RNO had in excess of the FDIC insured limit totaled $72,575. There was no amount in excess of the FDIC insured limit as of December 31, 2018.

Note 5. Property and Equipment, Net

At December 31, 2019 and 2018, property and equipment consisted of the following:

	2019	2018
Land	**$ 264,402**	$ 264,402
Buildings and Improvements	**4,781,252**	4,777,402
Furniture and Fixtures	**473,310**	473,310
Equipment	**621,191**	617,660
Other Assets	**14,850**	14,850
	6,155,005	6,147,624
Less: Accumulated Depreciation	**(1,905,829)**	(1,717,987)
Total Property and Equipment, Net	**$ 4,249,176**	$ 4,429,637

Depreciation expense on depreciable assets was $187,842 and $197,650, for the years ended December 31, 2019 and 2018, respectively.

Note 6. Commitments and Contingencies

RNO is a recipient of grants which are governed by contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of RNO and subject to audit and/or review by the applicable funding source. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

RNO's historic tax credits are contingent on the ability of RNO to maintain compliance with the applicable sections of Internal Revenue Code Section 47. Failure to maintain compliance could result in recapture of previously taken credits plus interest. For the years ended December 31, 2019 and 2018, management believes it is in compliance with Section 47 of the Internal Revenue Code and the administrative directives, rules, and regulations of the federal and state regulatory agencies.

RNO is exposed to various risks of loss related to torts and theft of, damage to, and destruction of assets, for which RNO carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

Note 6. Commitments and Contingencies (Continued)

Café Reconcile Landlord, LLC is the lessor of the fourth floor of its office building under an operating lease that began on December 1, 2019. The lease calls for monthly payments of $2,500 and expires on November 30, 2022. Minimum future rentals to be received on the lease as of December 31, 2019, is as follows:

Years Ending December 31,	Amount
2020	$ 30,000
2021	30,000
2022	27,500
Total	$ 87,500

Note 7. Related Party Transactions

RNO currently owns the land on which the 1631 Oretha Castle Haley Boulevard building is located. Further, RNO has a master land lease agreement with Landlord expiring on December 31, 2044 for a minimum annual rent of $12,000.

Tenant

In a historic tax credit agreement dated November 8, 2011, Landlord, subject to the terms of the referenced agreement, was to file an election with respect to the building located at 1631 Oretha Castle Haley Boulevard to transfer the historic tax credit to Tenant pursuant to the provisions of Section 501(d) of the Internal Revenue Code.

In 2014, RNO elected a pass-through option to pass through federal tax credits to a related third party, Tenant's majority owner (Investor), for consideration of $690,375. Consideration was payable to Tenant in the form of equity contributions, ratably over a time period of five years, starting with the part three approval of the historic tax credit (Federal Historic Preservation) of the National Park Service and on the following anniversaries of the in service date of the property through a total of five payments.

Per its agreement with Investor, Investor has the option to put its interest in Tenant to the Tenant's manager at a price equal to 15% of its capital contribution starting January 1 after the 61st month following the in-service date.

Note 7. Related Party Transactions (Continued)

Tenant (Continued)

Starting January 1 after the 72nd month following the in service date and continuing for a period of six months, the lessee's manager has the option to purchase Investor's share at a price equal to the higher of Investor's exit taxes for the sale of the property or the fair market value of Investor's share in the project, provided proper notification had been given at the onset of the put option period. On March 31, 2018, Investor exercised the put option and assigned its interest in Tenant to Reconcile New Orleans Investments, LLC for a purchase price of $63,158. At this date, Tenant is 100% owned by Reconcile New Orleans Investments, LLC.

On November 8, 2011, RNO executed a promissory note with Landlord in the amount of $765,828 to rehabilitate and construct a new addition located at 1631 Oretha Castle Haley Boulevard. The note is collateralized by the property. The note bears a 0% interest rate and the entire principal balance is payable in full at the earlier of December 31, 2041 or upon sale or refinance of the project.

Further, RNO, on November 8, 2011, executed a promissory note with a related party, Landlord, for the sum of $350,000 with interest at 2.5% for a period of time from closing to maturity. The terms of the loan call for monthly payments commencing on December 1, 2012, with the remaining balance due at maturity on December 1, 2042. At December 31, 2019 and 2018, the total amount of the loan commitment disbursed was $350,000. No payments were made on this loan as of December 31, 2019.

RNO entered into a lease agreement with Tenant to lease the building. The lease term commenced November 8, 2011 and extends for 32 years thereafter.

All amounts charged between the entities of the financial statements were eliminated in consolidation.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are for the following purposes or periods.

	2019	2018
Subject to expenditure for specific purpose		
Increasing Mental Health Effectiveness	$ 3,400	$ 10,397
Increasing Employee Retention and Quality of Life	73,049	8,710
	76,449	19,107
Subject to the Passage of Time		
Available for General Use	1,385,000	-
Total	$ 1,461,449	$ 19,107

Note 9. Notes Payable

At December 31, 2019 and 2018, notes payable consisted of the following:

	2019	2018
On November 8, 2011, RNO executed a promissory note payable to Gulf Coast Housing Development, Inc. in the sum of $765,828 to bear an interest rate of 0% through maturity at December 31, 2041. The entire principal balance of the note is due and payable in full at the earlier of December 31, 2041 or upon sale or refinance of the loan.	**$ 765,828**	$ 765,828
Also, on November 8, 2011, RNO entered into a note payable with New Orleans Redevelopment Authority, a public entity, for $350,000 to pay costs and expenses associated with the rehabilitation of the building located at 1631 Oretha Castle Haley Boulevard with a stated interest rate of 2% per annum. The note matures on the earlier of the borrower's sale or refinance of the property or fifteen (15) years from the date of issuance of the building's temporary or permanent certificate of occupancy, not to exceed sixteen (16) years from the date of the loan agreement. Such payments shall commence one (1) year following issuance of a temporary or permanent certificate of occupancy. The loan is payable in monthly installments.	**288,187**	307,199
Total Notes Payable	**1,054,015**	1,073,027
Less: Current Portion of Notes Payable	**(18,785)**	(18,321)
Total Notes Payable, Less Current Maturities	**$ 1,035,230**	$ 1,054,706

Future scheduled maturities of notes payable are as follows:

Years Ending December 31,	Amount
2020	$ 18,785
2021	19,260
2022	19,747
2023	20,246
2024	20,758
Thereafter	955,219
Total	$ 1,054,015

Note 10. Notes Payable (Continued)

The $350,000 note payable noted above is separated into two promissory notes: Promissory note A, totaling $305,462, of which the terms are explained above, and Promissory note B, totaling $44,538. Promissory note B states that RNO shall have no obligations to make any payment on the note if there is no default in any of the conditions agreed to. At the maturity date of this note, if all conditions are met, the $44,538 will be recognized as income.

Note 11. Lines of Credit

In 2017, RNO entered into a line of credit agreement totaling $100,000. The line matured on March 13, 2020, with an interest rate of 6.75% at December 31, 2019. The balance on this line of credit at December 31, 2019 and 2018, totaled $-0- and $101,635, respectively. The line of credit was renewed subsequent to year end. See Note 13.

In 2018, RNO entered into a line of credit agreement totaling $150,000. The line matured on December 28, 2019. The balance on this line of credit at December 31, 2019 and 2018, totaled $-0- and $87,139, respectively.

Note 12. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2019	2018
Cash	**$ 312,575**	$ 116,366
State Funding Receivable	**146,873**	142,044
Grants Receivable	**-**	16,500
Trade Receivables	**3,993**	9,369
Total	**$ 463,441**	$ 284,279

As part of its liquidity management plan, RNO invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

Note 13. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued June 17, 2020, and determined that the following events occurred that required disclosure:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern”, and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, stay home orders, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact in the economies and financial markets of many countries, including the geographical area in which RNO operates. It is unknown how long these conditions will last and what the complete financial effect will be to RNO. As a result of the outbreak of the coronavirus, RNO has postponed some events. However, the pandemic has not significantly impacted RNO’s productivity, funding streams, or its ability to deliver on its mission and thereby provide value to the community.

On March 16, 2020, the $100,000 line of credit was renewed, and the maturity date was extended to June 13, 2020.

On April 9, 2020, RNO entered into a Paycheck Protection Program loan with its bank in the amount of $257,900. The loan is guaranteed by SBA, and the principal and interest are potentially forgivable if RNO meets certain criteria. Provided the loan is not forgiven, RNO is required to make monthly payments totaling $14,516 beginning November 9, 2020. The loan is unsecured, bears interest at 1%, and matures April 9, 2022, unless forgiven sooner.

No other subsequent events occurring after June 17, 2020 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES **Schedule I**
Consolidating Statement of Financial Position
December 31, 2019

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Café Reconcile Landlord, LLC	Café Reconcile Tenant, LLC	Eliminations	Consolidated
Assets						
Current Assets						
Cash	$ 220,965	$ 70,435	$ 265	$ 20,910	$ -	$ 312,575
Accounts Receivable, Net	1,638,191	-	-	-	-	1,638,191
Prepaid Expenses and Other Assets	17,770	-	-	-	-	17,770
Inventory	4,102	-	-	-	-	4,102
Due from Related Party	3,831,808	-	-	-	(3,831,808)	-
Total Current Assets	5,712,836	70,435	265	20,910	(3,831,808)	1,972,638
Property and Equipment, Net	333,726	-	2,842,909	1,072,541	-	4,249,176
Total Assets	$ 6,046,562	$ 70,435	$ 2,843,174	$ 1,093,451	$ (3,831,808)	$ 6,221,814
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	$ 70,293	$ 6,630	$ 18,001	$ 15,000	$ -	$ 109,924
Deferred Revenue	20,000	-	-	-	-	20,000
Salaries, Taxes, and Withholdings Payable	29,635	-	-	-	-	29,635
Notes Payable - Current Portion	18,785	-	-	-	-	18,785
Due to Related Party	-	700,210	1,464,635	879,672	(3,044,517)	-
Total Current Liabilities	138,713	706,840	1,482,636	894,672	(3,044,517)	178,344
Long-Term Liabilities						
Notes Payable, Less Current Maturities	1,035,230	-	-	-	-	1,035,230
Total Long-Term Liabilities	1,035,230	-	-	-	-	1,035,230
Total Liabilities	1,173,943	706,840	1,482,636	894,672	(3,044,517)	1,213,574
Net Assets						
Without Donor Restrictions	3,411,170	(636,405)	1,360,538	198,779	(787,291)	3,546,791
With Donor Restrictions	1,461,449	-	-	-	-	1,461,449
Total Net Assets	4,872,619	(636,405)	1,360,538	198,779	(787,291)	5,008,240
Total Liabilities and Net Assets	$ 6,046,562	$ 70,435	$ 2,843,174	$ 1,093,451	$ (3,831,808)	$ 6,221,814

See independent auditor’s report.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES **Schedule II**
Consolidating Statement of Financial Position
December 31, 2018

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Café Reconcile Landlord, LLC	Café Reconcile Tenant, LLC	Eliminations	Consolidated
Assets						
Current Assets						
Cash	$ 83,604	$ 24,128	$ 385	$ 8,249	$ -	$ 116,366
Accounts Receivable, Net	180,413	-	-	-	-	180,413
Prepaid Expenses and Other Assets	26,578	-	-	-	-	26,578
Inventory	6,427	-	-	-	-	6,427
Due from Related Party	3,852,675	-	-	-	(3,852,675)	-
Total Current Assets	4,149,697	24,128	385	8,249	(3,852,675)	329,784
Property and Equipment, Net	344,817	-	2,934,162	1,150,658	-	4,429,637
Total Assets	$ 4,494,514	$ 24,128	$ 2,934,547	$ 1,158,907	$ (3,852,675)	$ 4,759,421
Liabilities and Net Assets						
Current Liabilities						
Lines of Credit	$ 188,774	$ -	$ -	$ -	$ -	$ 188,774
Accounts Payable	96,401	12,058	18,001	10,000	(1,021)	135,439
Deferred Revenue	10,000	-	-	-	-	10,000
Salaries, Taxes, and Withholdings Payable	24,713	-	-	-	-	24,713
Notes Payable - Current Portion	18,321	-	-	-	-	18,321
Accrued Interest Payable	21,645	-	-	-	-	21,645
Due to Related Party	-	672,576	1,555,327	860,901	(3,088,804)	-
Total Current Liabilities	359,854	684,634	1,573,328	870,901	(3,089,825)	398,892
Long-Term Liabilities						
Notes Payable, Less Current Maturities	1,054,706	-	-	-	-	1,054,706
Total Long-Term Liabilities	1,054,706	-	-	-	-	1,054,706
Total Liabilities	1,414,560	684,634	1,573,328	870,901	(3,089,825)	1,453,598
Net Assets						
Without Donor Restrictions	3,060,847	(660,506)	1,361,219	288,006	(762,850)	3,286,716
With Donor Restrictions	19,107	-	-	-	-	19,107
Total Net Assets	3,079,954	(660,506)	1,361,219	288,006	(762,850)	3,305,823
Total Liabilities and Net Assets	$ 4,494,514	$ 24,128	$ 2,934,547	$ 1,158,907	$ (3,852,675)	$ 4,759,421

See independent auditor's report.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES **Schedule III**

Consolidating Statement of Activities

For the Year Ended December 31, 2019

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Café Reconcile Landlord, LLC	Café Reconcile Tenant, LLC	Eliminations	Consolidated
Support						
Grants	$ 2,420,392	$ -	$ -	$ -	$ -	$ 2,420,392
Total Support	2,420,392	-	-	-	-	2,420,392
Revenues and Gains						
Restaurant Sales	239,634	-	-	-	-	239,634
Catering Sales	4,875	197,071	-	-	-	201,946
Contributions and Donations	423,338	-	-	-	-	423,338
Service Charges	-	19,575	-	-	-	19,575
Other	109,367	515	54,153	-	(84,784)	79,251
State Funding	631,261	-	-	-	-	631,261
Rental Income	104,340	7,750	71,500	102,164	(183,164)	102,590
Total Revenues and Gains	1,512,815	224,911	125,653	102,164	(267,948)	1,697,595
Total Support and Revenues	3,933,207	224,911	125,653	102,164	(267,948)	4,117,987
Expenses						
Program Expenses						
Workforce Development Program	1,398,578	-	-	-	-	1,398,578
Supporting Services						
Management and General	493,344	200,810	126,334	191,391	(243,507)	768,372
Fundraising	248,620	-	-	-	-	248,620
Total Expenses	2,140,542	200,810	126,334	191,391	(243,507)	2,415,570
Change in Net Assets	1,792,665	24,101	(681)	(89,227)	(24,441)	1,702,417
Net Assets, Beginning of Year	3,079,954	(660,506)	1,361,219	288,006	(762,850)	3,305,823
Net Assets, End of Year	$ 4,872,619	$ (636,405)	$ 1,360,538	$ 198,779	$ (787,291)	$ 5,008,240

See independent auditor’s report.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES **Schedule IV**
Consolidating Statement of Activities
For the Year Ended December 31, 2018

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Café Reconcile Landlord, LLC	Café Reconcile Tenant, LLC	Eliminations	Consolidated
Support						
Grants	$ 402,638	$ -	$ -	$ -	$ -	$ 402,638
Total Support	402,638	-	-	-	-	402,638
Revenues and Gains						
Restaurant Sales	269,021	-	-	-	-	269,021
Catering Sales	5,113	225,383	-	-	-	230,496
Contributions and Donations	2,034,326	-	-	-	-	2,034,326
Fundraisers	55,465	-	-	-	-	55,465
Service Charges	-	32,478	-	-	-	32,478
Other	(20,207)	39,230	101	-	49,011	68,135
State Funding	270,135	-	-	-	-	270,135
Rental Income	22,602	73,169	71,500	127,113	(180,817)	113,567
Gain on Sale of Property and Equipment	14,451	-	-	-	-	14,451
Total Revenues and Gains	2,650,906	370,260	71,601	127,113	(131,806)	3,088,074
Total Support and Revenues	3,053,544	370,260	71,601	127,113	(131,806)	3,490,712
Expenses						
Program Expenses						
Workforce Development Program	1,423,167	-	-	-	-	1,423,167
Supporting Services						
Management and General	585,676	365,858	186,379	241,334	(242,182)	1,137,065
Fundraising	194,643	-	-	-	-	194,643
Total Expenses	2,203,486	365,858	186,379	241,334	(242,182)	2,754,875
Change in Net Assets	850,058	4,402	(114,778)	(114,221)	110,376	735,837
Net Assets, Beginning of Year	2,229,896	(664,908)	1,475,997	140,500	(801,369)	2,380,116
Contributions	-	-	-	276,535	(71,857)	204,678
Distributions	-	-	-	(14,808)	-	(14,808)
Net Assets, End of Year	$ 3,079,954	$ (660,506)	$ 1,361,219	$ 288,006	$ (762,850)	$ 3,305,823

See independent auditor’s report.

Schedule of Compensation, Benefits, and other Payments to Agency Head
For the Year Ended December 31, 2019

Agency Head
Gerald Duhon, Executive Director

Purpose	Amount
Salary	$110,006
Bonus	$0
Benefits - Insurance	$8,161
Benefits - Retirement	$0
Benefits - Other	$434
Car Allowance	$0
Vehicle Provided by Organization	$0
Per Diem	$0
Reimbursements	$0
Travel	$0
Registration Fees	$0
Conference Travel	$0
Continuing Professional Education Fees	$0
Miscellaneous Expenses	$0

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement or local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

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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*

Independent Auditor's Report

To the Board of Directors
Reconcile New Orleans, Inc. and Subsidiaries
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Reconcile New Orleans, Inc. and Subsidiaries (the Organization) which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's consolidated 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Covington, LA
June 17, 2020

Part I - Summary of Auditor's Results

<u>Financial Statements</u>

1.	Type of auditors' report issued:	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified?	None Reported
3.	Noncompliance material to the financial statements noted?	No

<u>Federal Awards</u> - Not applicable

Part II - Financial Statement Findings

None noted.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Prior Audit Findings
For the Year Ended December 31, 2018

None noted.

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AGREED-UPON PROCEDURES REPORT

Reconcile New Orleans, Inc.

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the Period of January 1, 2019 - December 31, 2019

To the Board Members of
Reconcile New Orleans, Inc. and the
Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Reconcile New Orleans, Inc. (RNO) 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. RNO'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 parties specified in 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 results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe 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 Statutes 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.

Results: The policies of RNO do not address the following: Contracting, 1(f), does not address legal review and the monitoring process. Travel and expense reimbursement, 1(h), does not address dollar thresholds by category of expense. Disaster recovery/business continuity, 1(k), does not address any of the items listed above. Ethics and debt service policies are not applicable to RNO.

Board or Finance Committee

2. Obtain and inspect 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. Observe 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. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Results: No exceptions noted.

Bank Reconciliations

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

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

   b. Bank reconciliations include 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.

   Results: No exceptions noted.

Collections (excluding EFTs)

4. Obtain 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. Randomly select five deposit sites (or all deposit sites if less than five).

   Results: We obtained from management a listing of cash/check/money order (cash) deposit sites and management's representation that the list is complete.

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

   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.

Results: No exceptions noted.

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

   Results: No exceptions noted.

7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

   a. Observe that receipts are sequentially pre-numbered.
   b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
   c. Trace the deposit slip total to the actual deposit per the bank statement.
   d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).
   e. Trace the actual deposit per the bank statement to the general ledger.

   Results: For four deposits tested (in four separate accounts), the deposit was not made within one business day (7d).

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

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

   Results: No exceptions noted.

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

   Results: No exceptions noted.

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

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

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

    Results: No exceptions noted.

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

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

    Results: No exceptions noted.

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

    a. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

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

Results: No exceptions noted.

13. Using the monthly statements or combined statements selected above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing).

For each transaction, observe that it is supported by:

a. An original itemized receipt that identifies precisely what was purchased;

b. Written documentation of the business/public purpose; and

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

For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions noted.

Travel and Travel-Related Expense Reimbursements

14. Obtain 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. Randomly select five reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

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

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

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

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

Results: No exceptions noted.

Contracts

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 five contracts (or all contracts if less than five) 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 five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

    Results: No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five 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 five 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 listing 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' cumulative 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.

    Results: No exceptions noted.

Ethics

20. Using the five 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.

    Results: These procedures are not applicable to RNO. As such, no procedures were performed.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that 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 covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

    Results: These procedures are not applicable to RNO. As such, no procedures were performed.

Other

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

24. Observe that the entity has posted on its premises and website, the notice required by L.R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

    Results: No exceptions noted.

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

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

LaPorte

A Professional Accounting Corporation

Covington, LA
June 18, 2020