THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CONTENTS

P&N
Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana (a non-profit organization) (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana as of December 31, 2019, and 2018, 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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental information included on page 26 is presented for the purposes of additional analysis, is required by Louisiana Revised Statute 24:513(A)(3), 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. Such 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2020, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

Postlethwaite & Netterville

New Orleans, Louisiana
June 10, 2020

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Assets		
Cash and cash equivalents	$ 213,742	$ 847,584
Accounts receivable, net	2,285,202	1,739,183
Government grants receivable	260,770	299,525
Inventory	1,886,705	2,590,026
Prepaid expenses	123,577	191,996
Investments	4,321,538	4,177,439
Property and equipment, net of accumulated depreciation	11,280,444	12,348,198
Total assets	$ 20,371,978	$ 22,193,951

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities		
Accounts payable	$ 896,280	$ 822,738
Accrued expenses	438,147	924,024
Payroll and sales tax payable	33,264	11,193
Insurance note payable	53,639	-
Line of credit	594,494	634,494
Notes payable	741,784	962,170
Total liabilities	2,757,608	3,354,619
Net Assets		
Without donor restrictions:		
Board designated	3,756,185	4,800,207
Undesignated	13,476,511	13,697,571
Total	17,232,696	18,497,778
With donor restrictions	381,674	341,554
Total net assets	17,614,370	18,839,332
Total liabilities and net assets	$ 20,371,978	$ 22,193,951

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues			
Operating revenue	$ 19,232,971	$ -	$ 19,232,971
Less cost of finished goods sold	11,818,977	-	11,818,977
Sales, net	7,413,994		7,413,994
Grants	348,261	-	348,261
State of Louisiana Budget Appropriation	391,980	-	391,980
Private grants	138,205	-	138,205
Contributions	1,007,344	-	1,007,344
Investment income, net	630,875	55,011	685,886
Royalty income	6,179	-	6,179
Rental income	13,994	-	13,994
Other	25,698	-	25,698
Total support and revenues	9,976,530	55,011	10,031,541
Net Assets Released From Restrictions			
Expiration of time restrictions and program restrictions satisfied through payments	14,891	(14,891)	-
Total support, revenues, and net assets released from restrictions	9,991,421	40,120	10,031,541
Expenses			
Program services	9,111,538	-	9,111,538
General and administrative	1,795,208	-	1,795,208
Fundraising	349,757	-	349,757
Total expenses	11,256,503	-	11,256,503
Change in Net Assets	(1,265,082)	40,120	(1,224,962)
Net Assets			
Beginning of year	18,497,778	341,554	18,839,332
End of year	$ 17,232,696	$ 381,674	$ 17,614,370

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues			
Operating revenue	$ 22,947,416	$ -	$ 22,947,416
Less cost of finished goods sold	14,143,154	-	14,143,154
Sales, net	8,804,262	-	8,804,262
Grants	479,631	-	479,631
State of Louisiana Budget Appropriation	458,852	-	458,852
Private grants	147,960	-	147,960
Contributions	777,582	-	777,582
Investment loss, net	(172,687)	(13,776)	(186,463)
Royalty income	4,951	-	4,951
Rental income	13,584	-	13,584
Other	51,943	-	51,943
Total support and revenues	10,566,078	(13,776)	10,552,302
Net Assets Released From Restrictions			
Expiration of time restrictions and program restrictions satisfied through payments	103,374	(103,374)	-
Total support, revenues, and net assets released from restrictions	10,669,452	(117,150)	10,552,302
Expenses			
Program services	9,137,865	-	9,137,865
General and administrative	1,956,005	-	1,956,005
Fundraising	348,869	-	348,869
Litigation Settlement	501,000	-	501,000
Total expenses	11,943,739	-	11,943,739
Change in Net Assets	(1,274,287)	(117,150)	(1,391,437)
Net Assets			
Beginning of year	19,772,065	458,704	20,230,769
End of year	$ 18,497,778	$ 341,554	$ 18,839,332

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	General and Administrative	Fundraising	Totals
Recovery of bad debts	$ -	$ (30,494)	$ -	$ (30,494)
Commissions	526,521	254	-	526,775
Computer, copier, and equipment services	52,561	71,666	4,758	128,985
Depreciation and amortization	1,129,648	159,642	-	1,289,290
Dues and subscriptions	12,826	22,393	2,360	37,579
Flood expense	20,572	-	-	20,572
Freight	611,056	-	-	611,056
General insurance	288,945	86,674	1,262	376,881
Insurance - employees	618,846	74,857	23,949	717,652
Interest and bank fees	1,180	165,519	-	166,699
Low vision devices for clients	44,142	-	-	44,142
Miscellaneous	47,616	25,882	55,351	128,849
Professional fees	36,633	162,699	3,572	202,904
Repairs - building	89,175	43,547	250	132,972
Repairs - equipment	33,946	-	-	33,946
Retirement plan contributions	141,270	-	1,050	142,320
Salaries, labor, and payroll taxes	4,652,255	799,590	215,929	5,667,774
Staff training and recruiting	11,386	8,466	2,136	21,988
Supplies and postage	252,269	34,310	26,315	312,894
Travel, food, and entertainment	180,545	55,815	10,071	246,431
Utilities, telephone, and trash disposal	336,019	114,388	2,754	453,161
Vehicle operation and repair	24,127	-	-	24,127
	$ 9,111,538	$ 1,795,208	$ 349,757	$ 11,256,503

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	General and Administrative	Fundraising	Litigation Settlement	Totals
Bad debt expense	$ -	$ 24,297	$ -	$ -	$ 24,297
Commissions	667,187	63	-	-	667,250
Computer, copier, and equipment services	76,051	113,196	5,018	-	194,265
Depreciation and amortization	1,321,056	142,130	-	-	1,463,186
Dues and subscriptions	3,591	14,091	15,011	-	32,693
Flood expense	29,269	-	-	-	29,269
Freight	742,367	-	-	-	742,367
General insurance	237,676	51,441	162	-	289,279
Insurance - employees	511,147	71,146	21,648	-	603,941
Interest and bank fees	-	149,255	-	-	149,255
Litigation settlement	-	-	-	501,000	501,000
Low vision devices for clients	20,793	-	-	-	20,793
Miscellaneous	30,269	17,395	72,505	-	120,169
Professional fees	43,371	290,014	6,080	-	339,465
Repairs - building	42,809	3,294	-	-	46,103
Repairs - equipment	70,080	-	-	-	70,080
Retirement plan contributions	133,272	27,004	1,410	-	161,686
Salaries, labor, and payroll taxes	4,380,657	849,131	194,086	-	5,423,874
Staff training and recruiting	7,170	11,371	751	-	19,292
Supplies and postage	260,944	21,049	24,010	-	306,003
Travel, food, and entertainment	122,935	67,816	6,199	-	196,950
Utilities, telephone, and trash disposal	400,487	103,312	1,989	-	505,788
Vehicle operation and repair	36,734	-	-	-	36,734
	$ 9,137,865	$ 1,956,005	$ 348,869	$ 501,000	$ 11,943,739

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	$ (1,224,962)	$ (1,391,437)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense (recovery of bad debts)	(30,494)	24,297
Depreciation	1,289,290	1,461,469
Amortization of loan costs	-	1,717
Unrealized (gain) loss on investments	(533,891)	254,860
Forgiveness of debt	(50,000)	(50,000)
Changes in operating assets and liabilities		
Accounts receivable	(515,525)	1,319,429
Government grants receivable	38,755	368,657
Inventory	703,321	(479,807)
Prepaid expenses	68,419	(47,600)
Accounts payable	73,542	(514,073)
Accrued expenses	15,123	308,105
Payroll and sales taxes payable	22,071	(8,647)
Net cash provided by (used in) operating activities	(144,351)	1,246,970
Cash Flows From Investing Activities:		
Purchases of property and equipment	(221,536)	(313,750)
Proceeds from sale of investments	431,529	3,064,461
Purchases of investments	(542,737)	(3,130,870)
Net cash used in investing activities	(332,744)	(380,159)
Cash Flows From Financing Activities:		
Proceeds from insurance note payable	134,098	-
Payments of insurance note payable	(80,459)	-
Payments of note payable	(170,386)	(482,772)
Proceeds from line of credit	-	169,894
Payments on line of credit	(40,000)	-
Net cash used in financing activities	(156,747)	(312,878)
Net Increase (Decrease) in Cash and Cash Equivalents	(633,842)	553,933
Cash and Cash Equivalents		
Beginning of year	847,584	293,651
End of year	$ 213,742	$ 847,584
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 96,705	$ 101,146

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

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities

Organization

The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana (the Organization) is a non-profit organization dedicated to promoting independence for people who are blind and visually impaired by providing programs that focus on economic opportunity and self-reliance. The Organization’s manufacturing facilities create jobs for people who are blind. The Organization’s manufactured products include custom printed and stock hot and cold cups, single-fold paper towels, pillowcases, and deck swabs. In addition to a core, modern manufacturing operation that employs people with vision impairments, the Organization offers a range of independent living, competitive employment, and health related services. The Organization is headquartered in New Orleans and has additional operations in Baton Rouge and Gulfport, Mississippi.

2. Summary of Significant Accounting Policies

Organization and Income Taxes

The Organization is a not-for-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 50l(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S. 47: 121(5).

The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Basis of Presentation of Net Assets

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), which require the Organization to report financial information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation of Net Assets (continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a 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 are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Receivables

Accounts receivable are uncollateralized customer obligations generally due within 30 days and do not bear interest. Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Organization's historical losses, the existing economic conditions, and the financial stability of its customers. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible and establishes an allowance for estimated uncollectible accounts receivable. Receivables are written off when management deems collectability is doubtful. The allowance for doubtful accounts as of December 31, 2019 and 2018 was $51,933 and $95,440, respectively.

Inventory

Inventory of raw materials and the retail store inventories are valued at the lower of cost using the first-in, first-out method or net realizable value. Finished goods are valued at the weighted moving average costs developed for the individual items on the basis of current material and burden rates at the completion of production. The burden is an estimate of the direct labor on overhead cost related to a completed product.

2. Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest, and dividends, is reported as investment earnings net of related investment expenses in the statements of activities and changes in net assets. Investments in pooled investment accounts are stated at fair value, including any pro-rata gains and losses. Purchased real estate is carried at cost which approximates the market value and donated real estate held for investment is recorded at fair value on the date of donation.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. The Organization capitalizes all costs with an estimated useful life greater than one year and an original cost of at least $5,000. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for renewals and betterments are capitalized when they extend the life of the underlying asset. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the statements of activities and changes in net assets.

Depreciation is provided principally on the straight-line method, over the following estimated useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 10 years
Machinery and equipment	5 - 20 years
Vehicles	5 years
Computer equipment	3 - 5 years

Contributions and Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and has issued subsequent amendments to this guidance. This ASU is a comprehensive new revenue recognition model that provides a five-step process to recognize revenue that requires judgment and estimates, including identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognizing revenue as the performance obligation is satisfied. The Organization adopted this standard effective January 1, 2019 using the modified retrospective approach.

Revenue from product sales are recognized when control of the goods is transferred to the customer, which occurs at a point in time, upon shipment to the customer. The Organization recognizes shipping and handling fees billed to customers when control of the product is transferred. Based upon the nature of the products the Organization sells, its customers have limited rights of return which are immaterial.

2. Summary of Significant Accounting Policies (continued)

Contributions and Revenue Recognition (continued)

Revenue from product sales is measured as the amount of consideration the Organization expects to receive in exchange for transferring goods.

Service fees primarily consist of switchboard and deaf and employment services provided to governmental and other commercial clients. Rates for these services vary depending on the type of services provided and can be based on a per job, per hour basis. Service fees are recognized when performance obligations are satisfied, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for services rendered. Specifically, if the Organization has the right to consideration from a customer in an amount that corresponds directly with the value of the Organization's performance obligation completed to date (in which the Organization bills a fixed amount for each hour of service provided), the Organization recognizes revenue in the amount to which it has a right to invoice services performed. The Organization believes that the use of this "as invoiced" practical expedient is an accurate reflection for the performance obligation completed.

The Organization does not have any material significant payment terms as payment is received shortly after the point of sale or service.

Sales taxes collected from customers, where applicable, are remitted to the appropriate taxing jurisdictions and are excluded from sales revenue as the Organization considers itself a pass-through conduit for collecting and remitting sales taxes. The Organization does not have any material outstanding performance obligations, contract assets and liabilities or capitalized contract acquisition costs.

The Organization recognizes substantially all of its revenue on a gross basis as a principal. When assessing whether the Organization is acting as a principal or an agent, the Organization considers the indicators that an entity controls the specified good or service before it is transferred to the customer. The Organization believes it earns substantially all revenue as a principal from the sale of products because the Organization is responsible for the fulfillment and acceptability of products purchased. Additionally, the Organization holds the general inventory risk for the products, as it takes title to the products before the products are ordered by customers and maintains products in inventory.

Revenue recognition prior to the adoption of ASU 2014-09 is not substantially different from the policy as described above; therefore, the adoption of Topic 606 did not have a significant impact on the Organization's financial statements and no adjustment was necessary to the beginning balance of net assets.

2. Summary of Significant Accounting Policies (continued)

Contributions and Revenue Recognition (continued)

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give – that is, those with measureable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

The Organization was awarded cost-reimbursable grants of $1,042,286 which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Revenue recognized in relation to these grants was $287,357 for the year ended December 31, 2019. As of December 31, 2019 there were no advanced payments made.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The majority of expenses have been specifically identified with a program or supporting service. Certain costs have been allocated among the programs and supporting services benefited using appropriate methodologies such as time and effort.

Donated Services of Volunteers

A substantial number of volunteers have donated significant amounts of their time in the conduct of the Organization's program services; however, no amounts have been included in the accompanying financial statements because they do not meet the necessary criteria for recognition under U.S. GAAP.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs totaled $4,690 and $3,402 for the years ended December 31, 2019 and 2018, respectively.

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Standard

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this new standard did not have a material impact on the measurement or recognition of revenue.

Accounting Pronouncements Issued but Not Yet in Effect

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the statement of financial position as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842), *Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of net assets. This ASU will be effective for the Organization for annual periods beginning after December 15, 2021.

The Organization is currently assessing the impact of this pronouncement on the financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Availability and Liquidity

The following presents the Organization's financial assets at December 31:

	2019	2018
Total assets:	$ 20,371,978	$ 22,193,951
Less: non-financial assets		
Inventory	1,886,705	2,590,026
Prepaid expenses	123,577	191,996
Property and equipment, net	11,280,444	12,348,198
Total financial assets at year-end	7,081,252	7,063,731
Less: financial asset designations and restrictions		
Assets with donor restrictions	381,674	341,554
Board designated net assets without donor restrictions	3,756,185	4,800,207
	4,137,859	5,141,761
Financial assets available to meet general expenditures over the next twelve months	$ 2,943,393	$ 1,921,970

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Organization's Board of Directors (the Board) designated net assets without restrictions above are subject to an annual spending rate of 5%. Although the Organization does not intend to spend above the 5% appropriated for general expenditure as part of the Board's annual budget approval and appropriation process, these amounts could be made available through Board approval, if necessary.

In addition, the Organization has a $1,800,000 line of credit with $1,205,506 available to meet cash flow needs at December 31, 2019.

4. Designated Net Assets

The Organization's Board of Directors approved the designation of certain net assets without donor restrictions solely for the purpose of expenditures attributable to the long-term preservation of the sites of The Lighthouse for the Blind in New Orleans, Inc., the maintenance and development of the existing buildings, the acquisition of equipment and real property, and to support special need programs and grants. These funds, maintained in cash and investment accounts, have a balance of $3,756,185 and $4,800,207 as of December 31, 2019 and 2018, respectively.

5. Restrictions on Net Assets

Net assets with donor restrictions were as follows as of December 31:

	2019	2018
Ivy Brown Fund	$ 81,404	$ 72,732
Music Fund	26,120	21,653
Auxiliary Fund	16,270	17,813
George G. Villere Endowment Fund	257,880	229,356
Totals	$ 381,674	$ 341,554

Mrs. Ivy Brown willed part of her estate to the Organization. The will stated that the bequest will be kept in trust by the Greater New Orleans Foundation, a pooled investment account. The amount available to be used is restricted to a certain annual percentage.

The Bunny Cumberland Music Fund grant was received in memory of a benefactor and was restricted for use in programs promoting the learning and enjoyment of music by sight impaired persons.

The Lighthouse for the Blind in New Orleans, Inc.'s Auxiliary maintains its cash account in the Organization.

The George G. Villere Endowment Fund consists of the endowment fund and earnings thereon. See Note 12.

6. Inventory

Inventories are comprised of the following as of December 31:

	2019	2018
Finished goods	$ 203,842	$ 998,844
Raw materials	1,695,607	1,596,186
Allowance for obsolete inventory	(12,744)	(5,004)
Totals	$ 1,886,705	$ 2,590,026

7. Fair Value of Financial Instruments

The Financial Accounting Standard Board ("FASB") authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Common stocks and exchange traded funds: Valued at the closing price reported on active markets on which the individual securities are traded.

Corporate bonds and U.S. government and agency securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields available on comparable securities of issuers with similar credit ratings.

Mutual funds: Valued at the daily closing price as reported by the mutual fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Pooled assets: Investments held in pooled accounts managed by the Greater New Orleans Foundation (GNOF) are valued based on information provided by GNOF and include the use of NAV as the primary input to measure fair value.

Cash equivalents: Valued at cost which approximates market.

7. Fair Value of Financial Instruments (continued)

Hedge fund: Valued using NAV (or its equivalent) as a practical expedient and, therefore, not categorized in the fair value hierarchy in accordance with Accounting Standards Codification Subtopic 820-10. As of December 31, 2019 and 2018, there are no unfunded commitments related to this investment.

Other real estate: The Organization has reported its investment in certain real estate holdings as Level 3 fair value assets. These assets are valued at their fair value at the date of donation or historical cost, if purchased, which approximates their estimated appraised values.

These methods may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy the Organization's investment assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 150,057	$ -	$ -	$ 150,057
Common stocks	1,719,979	-	-	1,719,979
Corporate bonds	-	151,626	-	151,626
U.S. government and agency securities	-	256,506	-	256,506
Exchange traded funds	736,482	-	-	736,482
Pooled assets	-	339,284	-	339,284
Mutual funds	537,145	-	-	537,145
Other real estate	-	-	62,961	62,961
	$ 3,143,663	$ 747,416	$ 62,961	3,954,040
Hedge fund				367,498
Total investments				$ 4,321,538

7. Fair Value of Financial Instruments (continued)

The following table sets forth by level within the fair value hierarchy the Organization's investment assets at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 1,270,870	$ -	$ -	$ 1,270,870
Common stocks	1,066,683	-	-	1,066,683
Corporate bonds	-	115,078	-	115,078
U.S. government and agency securities	-	217,876	-	217,876
Exchange traded funds	461,252	-	-	461,252
Pooled assets	-	302,088	-	302,088
Mutual funds	407,511	-	-	407,511
Other real estate	-	-	62,961	62,961
Total assets at fair value	$ 3,206,316	$ 635,042	$ 62,961	3,904,319
Hedge Fund				273,120
Total investments				$ 4,177,439

As of December 31, 2019 and 2018, there were no assets measured at fair value on a nonrecurring basis. For the years ended December 31, 2019 and 2018, there were no changes in fair value of the Organization's Level 3 assets.

8. Property and Equipment

A summary of property and equipment as of December 31, 2019 and 2018 is as follows:

	2019	2018
Land	$ 639,948	$ 639,948
Construction in progress	69,626	915,181
Buildings and improvements	10,788,154	9,763,446
Machinery and equipment	12,343,081	12,309,661
Computer equipment	605,882	596,919
Furniture and equipment	321,261	321,261
Vehicles	216,430	216,430
	24,984,382	24,762,846
Less accumulated depreciation	(13,703,938)	(12,414,648)
Totals	$ 11,280,444	$ 12,348,198

NOTES TO FINANCIAL STATEMENTS

9. Insurance Note Payable

The Organization obtained a note payable with an insurance company in 2019. The balance of the note as of December 31, 2019 was $53,639. The note bears interest at a rate of 5.75% and matures in April 2020.

10. Line of Credit

The Organization entered into an unsecured line of credit with a local bank with a borrowing limit of $1,800,000. This line of credit matured on November 3, 2019 and was renewed through November 3, 2020 with the same borrowing limit and the same interest terms. The interest rate is the Wall Street Journal Prime borrowing rate which was 4.75% and 5.50% as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the balance outstanding under the line of credit was $594,494 and $634,494, respectively.

11. Notes Payable

The Organization has a $1,236,300 note payable to a local financial institution secured by a cup machine. The note dated November 18, 2016 matures on August 18, 2023. The note is payable in equal monthly installments of $17,514, including interest at 5.00%. The balance of the note as of December 31, 2019 and 2018 was $691,784 and $862,170, respectively.

The Organization also has a second note payable to the City of Baton Rouge/Parish of East Baton Rouge in the amount of $500,000. The note, dated April 14, 2011, has an interest rate equal to the Municipal Swap Index rate determined each Wednesday plus one hundred basis points per annum which was 2.61% and 2.71% as of December 31, 2019 and 2018, respectively. The note is subject to forgiveness based on the terms and conditions contained in the Cooperative Endeavor Agreement entered into between the Organization and the City of Baton Rouge/Parish of East Baton Rouge. For each year in which the Organization satisfies its obligations under the Cooperative Endeavor Agreement, a performance credit of $50,000 plus applicable interest shall be applied on the corresponding installment date of December 31st. The forgiveness of the debt and interest is recorded as grant revenue on the statements of activities and changes in net assets. The note is secured with land and buildings of the Organization. The balance of the note as of December 31, 2019 and 2018 was $50,000 and $100,000, respectively.

Due to the Organization failing to meet certain compliance terms of the Cooperative Endeavor Agreement, the Organization was required to reimburse to the City of Baton Rouge/Parish of East Baton Rouge approximately $16,000 and $19,000 for the years ended December 31, 2019 and 2018, respectively.

11. Notes Payable (continued)

The future principal payments (excluding the $50,000 remaining balance on the $500,000 note payable which is expected to be forgiven at $50,000 per year) on notes payable are summarized as follows:

Year Ending December 31,		
2020	$	181,506
2021		188,647
2022		198,435
2023		123,196
Total	$	691,784

12. George G. Villere Endowment

The Board of Directors of the Organization is of the belief that they have a strong fiduciary duty to manage the assets of the Organization's George G. Villere Endowment (the endowment) in the most prudent manner possible. The Board recognizes the intent of the endowment is to protect the donor with respect to expenditures from the endowment. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in net assets with restrictions until released.

The Endowments. The Organization's George G. Villere Endowment consists of one fund established in 2017 for support of operations or direct services for people who have visual and other disabilities. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law. The Board of Directors has interpreted the Uniform Prudent Management Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted George G. Villere Endowment, unless there are explicit donor stipulations to the contrary. At December 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the George G. Villere Endowment and (b) any accumulations to the George G. Villere Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

12. George G. Villere Endowment (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the fund;
- the purposes of the Organization and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the Organization; and
- the investment policies of the Organization.

Changes in net assets of the George G. Villere Endowment for the year ended December 31, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds, beginning of year	$ -	$ 229,356	$ 229,356
Investment return, net	-	36,845	36,845
Amounts appropriated for expenditure	-	(8,321)	(8,321)
Donor-restricted endowment funds, end of year	$ -	$ 257,880	$ 257,880

Changes in net assets of the George G. Villere Endowment for the year ended December 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds, beginning of year	$ -	$ 240,234	$ 240,234
Investment return, net	-	(10,878)	(10,878)
Donor-restricted endowment funds, end of year	$ -	$ 229,356	$ 229,356

The original donor-restricted gift amount of $225,000 is required by donor to be maintained in perpetuity.

12. George G. Villere Endowment (continued)

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur after the investment of contributions with donor restrictions. There were no such deficiencies in net assets with donor restrictions as of December 31, 2019 and 2018.

Return Objectives and Risk Parameters. Assets in the George G. Villere Endowment include donor restricted funds that are held by GNOF. The endowment attempts to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

Strategies Employed for Achieving Objectives. Assets in the George G. Villere Endowment are invested in pooled investments that consist of a well-diversified asset mix, which includes equity securities, fixed income securities and alternative investments that are intended to meet this objective. GNOF has established a 5% rate of return objective for the portfolio. Actual returns in any given year may vary from this amount. Investment assets and the allocation among asset classes and strategies are managed to not expose the endowment asset to unacceptable levels of risk.

Spending Policy and How Investment Objectives Relate to the Spending Policy. The current spending policy makes available on an annual basis 4% of the 12-quarter rolling average market value of the funds. The cutoff for the calculation is September 30th of each year to enable GNOF staff to perform the calculations for the upcoming year. All new endowment funds must be invested for four full quarters prior to December 31 of each year in order for any appropriation to be made.

13. Lease Commitment

The Organization leases land used as a parking lot from the City of New Orleans under a lease agreement which expires in 2030 with payments of $4,800 per year. This lease is automatically extended for two additional terms of 15 years each unless the lessee gives notice of its intent not to renew at least 30 days prior to the expiration of the current lease. Lease expense for both years ended December 31, 2019 and 2018 was $4,800.

Future lease commitments are as follows:

Year Ending December 31,	Amount
2020	$ 4,800
2021	4,800
2022	4,800
2023	4,800
2024	4,800
Thereafter	27,600
Total	$ 51,600

NOTES TO FINANCIAL STATEMENTS

14. Major Customers and Suppliers

The Organization has a concentration of credit risk as a result of sales to the top six major customers. Approximate sales to these customers as a percentage of total operating revenue for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Sales	$ 12,466,395	$ 16,886,457
Percentage of operating revenue	65%	74%

Approximate accounts receivable balances as a percentage of total accounts receivable for the Organization's six major customers as of December 31, 2019 and 2018 are as follows:

	2019	2018
Accounts receivable	$ 1,480,975	$ 1,134,840
Percentage of total accounts receivable, net	65%	65%

The Organization has a concentration of credit risk as a result of purchasing from the top three major suppliers. Approximate purchases from these suppliers as a percentage of total cost of finished goods sold for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Purchases	$ 8,334,227	$ 11,638,635
Percentage of cost of finished goods sold	71%	82%

15. Employee Benefit Plan

The Organization sponsors a profit-sharing 403(b) plan, which covers substantially all employees. The plan allows the Organization to make discretionary contributions by matching a percentage of employee contributions limited by Federal tax law. Total employer matching expense for the years ended December 31, 2019 and 2018 was $142,072 and $161,686, respectively.

16. Concentrations of Credit Risk

The Organization has concentrated its credit risk for cash and cash equivalents accounts by maintaining deposits at several financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses and does believe that significant credit risk exists as a result of this practice.

17. Risk and Uncertainties

In general, investment securities are exposed to various risks, such as interest rate, credit, and market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by the Organization.

18. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 10, 2020, and determined that the following matter required additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on its investments, customers, employees and vendors, all of which are uncertain and cannot be predicted or reasonably estimated at this time.

SUPPLEMENTAL SCHEDULE

LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

SUPPLEMENTAL SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
YEAR ENDED DECEMBER 31, 2019

Agency Head: Renee Vidrine, President

Purpose	Amount
Salary	$ 226,583
Benefits - insurance	12,307
Benefits - retirement	19,381
Reimbursements	2,247
Travel	4,445
Registration fees	1,374
Conference travel	15,900
	$ 282,237

P&N
Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

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
The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Lighthouse for the Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana (a non-profit organization) (the Organization) which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 an opinion on the 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 Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-01 that we consider to be a significant deficiency.

Postlethwaite & Netterville

Compliance and Other Matters

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

Organization's Response to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Organization's responses were not subjected to the audit procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
June 10, 2020

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2019

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

Noncompliance material to consolidated financial statements noted? ___ Yes _X_ No

b) Federal Awards

The Organization did not receive federal awards in excess of $750,000 during the year ended December 31, 2019 and, therefore, is exempt from the audit requirements under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards* Requirements:

Finding 2019-01: Accounting Policies and Procedures Manual and Account Reconciliations

Criteria: The Organization should prepare reconciliations of material accounts on a timely basis and the reconciliations should be reviewed by appropriate management-level personnel. The Organization should have a comprehensive up-to-date manual of accounting policies and procedures to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management.

Condition: During our audit, we noted that grants receivable and the allowance for doubtful accounts were not reconciled timely to the general ledger. The Organization does not appear to have a comprehensive up-to-date manual of accounting policies and procedures and existing policies and procedures do not appear to be consistently followed.

Context/Cause: The Organization has had recent turnover of personnel in the accounting department. The Organization improved in following existing policies and procedures; however, certain account reconciliations were not timely prepared and reviewed.

Effect: The lack of an up-to-date manual of accounting policies and procedures and inconsistent following of existing policies can result in adjustments to the Organization's financial statements after its financial statement close process. While the number of adjusting journal entries was reduced, the Organization recorded adjustments significantly after year-end to ensure the financial statements were presented in accordance with U.S. generally accepted accounting principles.

Recommendation: We recommend that the Organization develop a comprehensive accounting policies and procedures manual and ensure all policies are consistently followed. A well-written accounting manual will aid in the training of new employees and assist management in delegating and segregating duties. We also recommend that appropriate management-level personnel review of accounting transactions and reconciliations for accuracy and document evidence of their review for audit purposes.

Management's Response:

We agree with the auditor's comments and the following actions will be taken to address the situation. The appropriate level of management will review account reconciliations quarterly, at a minimum, and document evidence of their review. Furthermore, the accounting department will continue to update policies, procedures and checklists beyond the updates already made to disbursements, inventory, petty cash, travel and entertainment, credit cards and the expense authorization matrix. These policies, procedures and checklists will be stored in an accounting manual directory available to all employees. Revisions will be made as necessary.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019

Finding 2018-01: Accounting Policies and Procedures Manual

Criteria: The Organization should have an up-to-date manual of accounting policies and procedures to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management.

Condition: The Organization does not appear to have an up-to-date manual of accounting policies and procedures and existing policies and procedures do not appear to be consistently followed.

Cause: Recent turnover of personnel in the accounting department.

Effect: The lack of an up-to-date manual of accounting policies and procedures resulted in adjustments to the Organization's financial statements after its financial statement close process.

Recommendation: We recommend that the Organization develop a comprehensive accounting policies and procedures manual. In the process of developing the manual, we recommend a comprehensive review of the existing accounting system, offering management the opportunity to eliminate or improve procedures, and thereby create a more efficient and effective system. A well-written accounting manual will aid in the training of new employees and assist management in delegating and segregating duties. The manual should include:

- An organization chart
- Job descriptions, outlining duties and responsibilities
- Descriptions of methods, procedures, and accounting principles to be followed, including explanations and examples of principle transactions
- A chart of accounts with detailed explanation of the items to be included therein
- Any other documents or forms for which uniformity of use is desired

Status: Partially resolved. See repeat finding 2019-01.

Finding 2018-02: Maintenance of Accounting Records

Criteria: Supporting documentation for items recorded in the books of account should be readily available within the Organization.

Condition: The audit testing procedures disclosed that for certain items selected for testing the following supporting documentation was missing and/or not located including certain supporting documentation for journal entries recorded in the general ledger and documentation of certain credit card purchases.

Cause: The Organization does not appear to have certain internal accounting controls consistently followed to ensure supporting documentation for all transactions is maintained.

Effect: The lack of documentation of accounting transactions can lead to financial statement misstatements.

Recommendation: We recommend that the Organization review its existing policies and practices so that all supporting documentation is located, properly filed, and retained. The review may result in certain policy enhancements. The Organization should require that supporting receipts be submitted for all charges which it is practical to obtain a receipt and that the business purpose of the expense be clearly documented. Review of supporting receipts for credit card charges should be performed by department heads and by the executive director. Receipts of the executive director should be reviewed by the appropriate member of the board of directors.

Status: Partially resolved. While the Organization did improve its retention of supporting documentation, there continued to be a lack of supporting documentation for certain immaterial credit card transactions. We did not consider to be a deficiency that rose to the level of a significant deficiency in the current year.

Finding 2018-03: Account Reconciliations and Supervisory Review

Criteria: The Organization should prepare reconciliations of material accounts on a regular basis and reviewed by appropriate management-level personnel.

Condition: During our audit, we noted a lack of supervisory review of accounting transactions and that certain material accounts were not reconciled to the general ledger. Bank reconciliations were not prepared for bank accounts other than the operating account.

Cause: Recent turnover of personnel in the accounting department.

Effect: The lack of prepared reconciliations and supervisory review led to adjustments identified during the course of the audit relating to trade accounts receivable, grants receivable, investments, certain accrued expenses, and debt. When reconciliations and related reviews are not performed timely, periodic financial statements may not be presented accurately.

Recommendation: We recommend that a policy be implemented whereby all subsidiary ledgers and/or supporting schedules are reconciled to the general ledger on a monthly or at least quarterly basis. We also recommend that appropriate management-level personnel review of accounting transactions and reconciliations for accuracy and document evidence of their review for audit purposes.

Status: Partially resolved. See repeat finding 2019-01.

Finding 2018-04: Procedures for Additions of Fixed Assets

Criteria: The Organization should have a system of internal accounting controls to ensure fixed asset additions are entered into the computerized asset system on a timely basis.

Condition: During our audit, we noted at least one fixed asset addition was not entered into the computerized asset system on a timely basis.

Cause: Recent turnover of personnel in the accounting department.

Effect: Inaccurate reporting of fixed asset cost and depreciation expense at year-end which resulted in an adjustment to the Organization's accounting records.

Recommendation: We recommend that the Organization review its existing policies and procedures or implement procedures to ensure that all fixed asset additions are entered into the computerized asset system timely to ensure that fixed assets cost and depreciation expense are reported accurately.

Status: Resolved.

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2019

Postlethwaite & Netterville
A Professional Accounting Corporation
pncpa.com

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
d/b/a LIGHTHOUSE LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED DECEMBER 31, 2019

P&N
Postlethwaite & Netterville

30th Floor, Energy Centre, 1100 Poydras Street – New Orleans, LA 70163
One Galleria Blvd., Suite 2100 – Metairie, LA 70001
504-837-5990 Phone – 504-834-3609 Fax – pncpa.com

A Professional Accounting Corporation

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To Board of Directors of Lighthouse for the Blind and the Louisiana Legislative Auditor

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

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

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted"*. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

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.

      We performed the procedures above and noted no exceptions.

   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.

      The Entity has written policies for Purchasing; however, the policies do not contain attribute (4) regarding controls to ensure compliance with the public bid law.

   c) ***Disbursements***, including processing, reviewing, and approving

      We performed the procedures above and noted no exceptions.

Postlethwaite & Netterville

d) ***Receipts***, 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).

   We performed the procedures above and noted no exceptions.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

   We performed the procedures above and noted no exceptions.

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.

   The Entity has written policies for Contracting; however, the policies do not contain attribute (1) regarding the types of services requiring written contracts and (3) regarding legal review.

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)

   We performed the procedures above and noted no exceptions.

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

   We performed the procedures above and noted no exceptions.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

   Procedures above are not applicable to the Entity due to its non-profit status.

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

   Procedures above are not applicable as no debt is held by the Entity.

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.

We performed the procedures above and noted that the Entity does not have a written policy for Disaster Recovery/ Business Continuity.

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.

      Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

   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.

      Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

      Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

   A listing of bank accounts was provided and included a total of 8 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

   From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and requested the bank reconciliations for the month ending March 31, 2019. No exceptions noted.

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

The bank reconciliations were prepared and signed off on using an electronic signature; however, there was no evidence of date of preparation for 2 of the 5 selected, including the operating account.

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

We performed the procedures above and noted no exceptions.

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.

The operating account bank reconciliation had reconciling items outstanding for more than 12 months from the statement closing date. There was no documentation evidencing that these reconciling items were researched for proper disposition.

Collections

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 5 deposit sites (or all deposit sites if less than 5).

   Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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. 5 collection locations for 5 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:

   Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

7. Randomly select two deposit dates for each of the 5 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:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

a) Observe that receipts are sequentially pre-numbered.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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 5 locations (or all locations if less than 5).

   The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

   From the listing provided, we selected the 1 location payments are processed and performed the procedures below.

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:

   The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.

   Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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

A single employee, the Purchasing Manager, initiates purchase requests for raw materials and approves purchases. All other types of purchases require two employees to be involved in the purchasing process.

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

We performed the procedure above and noted no exceptions.

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.

A single employee, the AP Specialist, is responsible for processing payments and has the ability to add to or modify vendor files. There is no evidence of periodic review of 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.

A single employee, the AP Specialist, is responsible for processing payments and mailing the signed checks.

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 5 disbursements for each location, obtain supporting documentation for each transaction and:

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

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

We performed the procedure above and noted no exceptions.

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

The 5 disbursements selected all related to purchases of materials which were initiated and approved by the Purchasing Manager.

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

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

A listing of cards was provided. No exceptions were noted as a result of performing this procedure.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) 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:

P&N
Postlethwaite & Netterville

From the listing provided, we randomly selected 5 used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.

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

   We performed the procedure above and noted no exceptions.

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

   We performed the procedure above and noted no exceptions.

13. Using the monthly statements or combined statements selected under #12 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 (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

    We randomly selected 10 transactions (or all transactions on credit cards with less than 10 transactions) for the 5 cards selected in procedure #12 and performed the specified procedures above. Of the 42 transactions selected for testing, 3 did not have receipts to support purchase or business purpose and 3 meal charges did not have documentation of the individuals participating in meals.

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

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 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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).

   Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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.

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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).

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

    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.).

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

       Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Ethics

N/A – Nonprofits are excluded from the ethics requirement.

Debt Service

The Entity did not have any bonds/notes outstanding at the end of the fiscal period; therefore, this procedure is not applicable.

Other

20. 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.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

P&N
Postlethwaite & Netterville

Corrective Action

22. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

The following actions will be taken to address the exceptions to policies and procedures noted above. The accounting department will continue to update policies, procedures and checklists beyond the updates already made to disbursements, inventory, petty cash, travel and entertainment, credit cards and the expense authorization matrix. These updates will include language on the types of services that will need a written contract and legal review, procedures around public bids, a disaster recovery process memo, dating bank reconciliation reviews and various other policies and procedures to further bolster our internal controls.

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.

Sincerely,

Postlethwaite & Netterville

New Orleans, Louisiana
June 10, 2020