

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

Audits of Consolidated Financial Statements

December 31, 2020 and 2019



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Reconcile New Orleans, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reconcile New Orleans, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of the laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Covington, LA
May 11, 2021

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 915,708	\$ 312,575
Accounts Receivable, Net	955,658	1,638,191
Prepaid Expenses and Other Assets	8,740	17,770
Inventory	-	4,102
	<hr/>	<hr/>
Total Current Assets	1,880,106	1,972,638
	<hr/>	<hr/>
Property and Equipment, Net	4,061,293	4,249,176
	<hr/>	<hr/>
Total Assets	\$ 5,941,399	\$ 6,221,814
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 70,317	\$ 109,924
Deferred Revenue	10,000	20,000
Salaries, Taxes, and Withholdings Payable	73,114	29,635
Notes Payable, Current Portion	19,260	18,785
	<hr/>	<hr/>
Total Current Liabilities	172,691	178,344
	<hr/>	<hr/>
Long-Term Liabilities		
Notes Payable, Less Current Maturities	1,015,266	1,035,230
	<hr/>	<hr/>
Total Long-Term Liabilities	1,015,266	1,035,230
	<hr/>	<hr/>
Total Liabilities	1,187,957	1,213,574
	<hr/>	<hr/>
Net Assets		
Without Donor Restrictions	3,915,192	3,546,791
With Donor Restrictions	838,250	1,461,449
	<hr/>	<hr/>
Total Net Assets	4,753,442	5,008,240
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 5,941,399	\$ 6,221,814
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The accompanying notes are an integral part of these consolidated financial statements.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants	\$ 445,895	\$ 87,000	\$ 532,895
Total Support	445,895	87,000	532,895
Revenues and Gains			
Restaurant Sales	127,227	-	127,227
Catering Sales	265,938	-	265,938
Contributions and Donations	512,096	-	512,096
Service Charges	2,813	-	2,813
Other	295,448	-	295,448
State Funding	645,215	-	645,215
Rental Income	30,351	-	30,351
	1,879,088	-	1,879,088
Net Assets Released from Restrictions	710,199	(710,199)	-
Total Revenues and Gains	2,589,287	(710,199)	1,879,088
Total Support and Revenues	3,035,182	(623,199)	2,411,983
Expenses			
Program Expenses			
Workforce Development Program	1,515,929	-	1,515,929
Supporting Services			
Management and General	922,117	-	922,117
Fundraising	228,735	-	228,735
Total Expenses	2,666,781	-	2,666,781
Change in Net Assets	368,401	(623,199)	(254,798)
Net Assets, Beginning of Year	3,546,791	1,461,449	5,008,240
Contributions	91,710	-	91,710
Distributions	(91,710)	-	(91,710)
Net Assets, End of Year	\$ 3,915,192	\$ 838,250	\$ 4,753,442

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

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

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

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services		Supporting Services		Total
	Workforce Development Program	Management and General	Fundraising		
Salaries	\$ 795,450	\$ 472,174	\$ 158,045	\$	1,425,669
Employee Benefits	164,671	62,732	33,980		261,383
Depreciation	-	191,389	-		191,389
Cost of Sales - Food and Beverage	75,876	94,367	-		170,243
Contractual Services and Professional Fees	102,061	53,696	5,876		161,633
Student Assistance Expense	96,660	-	-		96,660
Utilities	89,267	2,600	-		91,867
Insurance	27,996	10,665	5,777		44,438
Operating Supplies	31,778	5,358	6,004		43,140
Building and Equipment Repairs	37,461	-	-		37,461
Marketing and Public Relations	13,623	4,928	4,094		22,645
Grant Writing Expense	13,500	-	7,968		21,468
Meals - Employee	13,013	2,881	1,557		17,451
Other	9,982	4,135	-		14,117
Fees, Dues, and Subscriptions	7,095	4,867	900		12,862
Telephone	12,241	-	-		12,241
Technology and Software Maintenance	6,982	-	3,534		10,516
Interest and Bank Service Charges	-	8,615	-		8,615
Credit Card Fees	6,859	1,463	-		8,322
Uniforms	4,528	34	-		4,562
Equipment Rental	3,579	-	-		3,579
Postage and Delivery	2,607	-	-		2,607
Storage	-	1,908	-		1,908
Travel	700	305	-		1,005
Volunteer Expense	-	-	1,000		1,000
Total	\$ 1,515,929	\$ 922,117	\$ 228,735	\$	2,666,781

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

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

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

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ (254,798)	\$ 1,702,417
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	191,389	187,842
Bad Debt Expense	-	2,729
Loss on Disposal of Property and Equipment	2,600	-
Payroll Protection Program Loan Forgiveness	(257,900)	-
(Increase) Decrease in Operating Assets		
Accounts Receivable, Net	682,533	(1,460,507)
Prepaid Expenses and Other Assets	9,030	8,808
Inventory	4,102	2,325
Increase (Decrease) in Operating Liabilities		
Accrued Interest Payable	-	(21,645)
Accounts Payable	(39,607)	(25,515)
Deferred Revenue	(10,000)	10,000
Salaries, Taxes, and Withholdings Payable	43,479	4,922
Net Cash Provided by Operating Activities	370,828	411,376
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(6,106)	(7,381)
Net Cash Used in Investing Activities	(6,106)	(7,381)
Cash Flows from Financing Activities		
Proceeds from Lines of Credit	-	49,000
Payments on Lines of Credit	-	(237,774)
Payments on Notes Payable	(19,489)	(19,012)
Proceeds from Issuance of Payroll Protection Program Loan	257,900	-
Net Cash Provided by (Used in) Financing Activities	238,411	(207,786)
Net Increase in Cash	603,133	196,209
Cash, Beginning of Year	312,575	116,366
Cash, End of Year	\$ 915,708	\$ 312,575
Supplemental Disclosure of Cash Flow Information		
Interest Expense Paid During the Year	\$ 5,869	\$ 9,483

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Background and General Data

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

RNO operates through its wholly-owned subsidiaries:

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

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

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

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

On November 2, 2020, Café Reconcile Landlord, LLC and Café Reconcile Tenant, LLC were dissolved. These entities are no longer doing business, owe debt, or own assets. Any remaining assets, liabilities, and net assets were transferred to RNO at this date.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Background and General Data (Continued)

Basis of Accounting

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

Note 2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include RNO's wholly-owned subsidiaries, Café Reconcile Catering, LLC; Reconcile New Orleans Investments, LLC; and through November 2, 2020 included Café Reconcile Landlord, LLC; and Café Reconcile Tenant, LLC. RNO has direct authority to determine the financial and operating functions for these entities. The assets, liabilities, revenue, and expenses of the individual subsidiaries are fully consolidated. All intercompany balances and transactions are eliminated at the consolidated financial statement level.

Basis of Presentation

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

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

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

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

Use of Estimates

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Cash

For the purposes of the statement of cash flows, RNO considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2020 or 2019.

Revenue Recognition

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

Contributions, Donations, and Grants

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

State Funding

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding accounts receivable and charges to expense any balances that are determined to be non-collectible or establishes an allowance for doubtful accounts. There was no allowance for doubtful accounts at December 31, 2020. Allowance for doubtful accounts totaled \$55,249 at December 31, 2019.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Inventory

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

Property and Equipment

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

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

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

Impairment of Long-Lived Assets

RNO reviews its long-lived assets, including property and equipment and other intangibles, for impairment when an event or change in facts and circumstances indicates that their carrying amount may not be recoverable, but at least annually. RNO determines recoverability of the assets by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. There were no such charges for impairment during the years ended December 31, 2020 and 2019.

Income Taxes

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

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

RNO believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

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

Advertising Expense

RNO expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2020 and 2019 totaled \$7,423 and \$23,053, respectively.

Functional Allocation of Expenses

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

Recent Accounting Pronouncements - Not Yet Adopted

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 3. Grants Receivable

Grants receivable at December 31, 2020 and 2019, totaled \$751,250 and \$1,487,325, respectively, and is included in accounts receivable, net on the consolidated statements of financial position. This amount represents grants pledged, but not yet received. Grants receivable are primarily from pledges that have a time restriction attached to them.

Note 4. Concentration of Risk

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

RNO periodically maintains deposits in financial institutions that exceed the insured amount of \$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). RNO believes it is not exposed to any significant credit risk to cash. At December 31, 2020 and 2019, the amount RNO had in excess of the FDIC insured limit totaled \$189,916 and \$72,575, respectively.

Note 5. Property and Equipment, Net

At December 31, 2020 and 2019, property and equipment consisted of the following:

	2020	2019
Land	\$ 264,402	\$ 264,402
Buildings and Improvements	4,777,942	4,781,252
Furniture and Fixtures	473,310	473,310
Equipment	628,657	621,191
Other Assets	12,250	14,850
	<u>6,156,561</u>	<u>6,155,005</u>
Less: Accumulated Depreciation	<u>(2,095,268)</u>	<u>(1,905,829)</u>
Total Property and Equipment, Net	<u>\$ 4,061,293</u>	<u>\$ 4,249,176</u>

Depreciation expense totaled \$191,389 and \$187,842, for the years ended December 31, 2020 and 2019, respectively.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 6. Commitments and Contingencies

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

RNO is the lessor of the fourth floor of its office building under an operating lease that began on December 1, 2019. The lease calls for monthly payments of \$2,500 and expires on November 30, 2022. Minimum future rentals to be received on the lease as of December 31, 2020, is as follows:

Year Ending December 31,	Amount
2021	\$ 30,000
2022	<u>27,500</u>
Total	<u>\$ 57,500</u>

Note 7. Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specific purpose		
Efforts to Outcome Data Project	\$ 32,000	\$ -
Racial Equity Initiatives	25,000	-
Alternative Employment Pathways	30,000	-
Increasing Mental Health Effectiveness	-	3,400
Increasing Employee Retention and Quality of Life	-	73,049
	<u>87,000</u>	<u>76,449</u>
Subject to the passage of time		
Available for General Use	751,250	1,385,000
Total	<u>\$ 838,250</u>	<u>\$ 1,461,449</u>

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 8. Net Assets Released from Restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2020	2019
Subject to expenditure for specific purpose		
Increasing Mental Health Effectiveness	\$ 3,400	\$ 6,997
Increasing Employee Retention and Quality of Life	73,049	35,661
	<u>76,449</u>	<u>42,658</u>
Subject to the passage of time		
Available for General Use	633,750	765,000
	<u>633,750</u>	<u>765,000</u>
Total	<u>\$ 710,199</u>	<u>\$ 807,658</u>

Note 9. Notes Payable

At December 31, 2020 and 2019, notes payable consisted of the following:

	2020	2019
On November 8, 2011, RNO executed a promissory note payable to Gulf Coast Housing Development, Inc. in the sum of \$765,828 to bear an interest rate of 0% through maturity at December 31, 2041. The entire principal balance of the note is due and payable in full at the earlier of December 31, 2041 or upon sale or refinance of the loan.	\$ 765,828	\$ 765,828
Also, on November 8, 2011, RNO entered into a note payable with New Orleans Redevelopment Authority, a public entity, for \$350,000 to pay costs and expenses associated with the rehabilitation of the building located at 1631 Oretha Castle Haley Boulevard with a stated interest rate of 2% per annum. The note matures on the earlier of the borrower's sale or refinance of the property or fifteen (15) years from the date of issuance of the building's temporary or permanent certificate of occupancy, not to exceed sixteen (16) years from the date of the loan agreement. Such payments shall commence one (1) year following issuance of a temporary or permanent certificate of occupancy. The loan is payable in monthly installments.	<u>268,698</u>	<u>288,187</u>
Total Notes Payable	1,034,526	1,054,015
Less: Current Portion of Notes Payable	<u>(19,260)</u>	<u>(18,785)</u>
Total Notes Payable, Less Current Maturities	<u>\$ 1,015,266</u>	<u>\$ 1,035,230</u>

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Notes Payable (Continued)

Future scheduled maturities of notes payable are as follows:

Year Ending December 31,	Amount
2021	\$ 19,260
2022	19,747
2023	20,246
2024	20,758
2025	21,283
Thereafter	<u>933,232</u>
Total	<u>\$ 1,034,526</u>

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

Note 10. Line of Credit

RNO has a line of credit agreement totaling \$100,000 which matures on July 31, 2021. The line had an interest rate of 5.25% at December 31, 2020. The line had no balance at December 31, 2020 and 2019.

Note 11. Liquidity and Availability

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

	2020	2019
Cash	\$ 915,708	\$ 312,575
State Funding Receivable	173,749	146,873
Trade Receivables	<u>30,660</u>	3,993
Total	<u>\$ 1,120,117</u>	<u>\$ 463,441</u>

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Payroll Protection Program Loan

On April 6, 2020, RNO obtained a \$257,900 loan from Home Bank under the Small Business Administration (SBA) Paycheck Protection Program (PPP). Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. RNO received forgiveness for the total amount of the loan plus interest from the SBA. The amount of the loan forgiveness is presented as a component of other revenues and gains on the accompanying consolidated statement of activities for the year ended December 31, 2020 totaling \$257,900.

Note 13. Risk and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern", and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which RNO operates.

It is unknown how long these and other adverse conditions associated with the coronavirus will last and what the complete financial effect will be to RNO.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued May 11, 2021, and determined that the following events occurred that require disclosure:

On January 29, 2021, RNO entered into a second PPP loan with its bank in the amount of \$281,252. The loan is guaranteed by the SBA, and the principal and interest are potentially forgivable if RNO meets certain criteria. Provided the loan is not forgiven, RNO is required to make monthly payments totaling \$6,042 beginning March 1, 2022. The loan is unsecured, bears interest at 1%, and matures February 1, 2026, unless forgiven sooner.

On March 4, 2021, RNO received forgiveness for the total amount of the PPP loan that was obtained on April 6, 2020 (see Note 12).

No other subsequent events occurring after May 11, 2021 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position
December 31, 2020

Schedule I

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Café Reconcile Landlord, LLC	Café Reconcile Tenant, LLC	Eliminations	Consolidated
Assets						
Current Assets						
Cash	\$ 850,448	\$ 65,260	\$ -	\$ -	\$ -	\$ 915,708
Accounts Receivable, Net	933,734	21,924	-	-	-	955,658
Prepaid Expenses and Other Assets	8,740	-	-	-	-	8,740
Due from Related Party	747,936	-	-	-	(747,936)	-
Total Current Assets	2,540,858	87,184	-	-	(747,936)	1,880,106
Property and Equipment, Net	4,061,293	-	-	-	-	4,061,293
Total Assets	\$ 6,602,151	\$ 87,184	\$ -	\$ -	\$ (747,936)	\$ 5,941,399
Liabilities and Net Assets						
Current Liabilities						
Accounts Payable	\$ 67,711	\$ 2,606	\$ -	\$ -	\$ -	\$ 70,317
Deferred Revenue	10,000	-	-	-	-	10,000
Salaries, Taxes and Withholdings Payable	73,114	-	-	-	-	73,114
Notes Payable, Current Portion	19,260	-	-	-	-	19,260
Investment in Subsidiary	663,358	-	-	-	(663,358)	-
Due to Related Party	-	747,936	-	-	(747,936)	-
Total Current Liabilities	833,443	750,542	-	-	(1,411,294)	172,691
Long-Term Liabilities						
Notes Payable, Less Current Maturities	1,015,266	-	-	-	-	1,015,266
Total Long-Term Liabilities	1,015,266	-	-	-	-	1,015,266
Total Liabilities	1,848,709	750,542	-	-	(1,411,294)	1,187,957
Net Assets						
Without Donor Restrictions	3,915,192	(663,358)	-	-	663,358	3,915,192
With Donor Restrictions	838,250	-	-	-	-	838,250
Total Net Assets	4,753,442	(663,358)	-	-	663,358	4,753,442
Total Liabilities and Net Assets	\$ 6,602,151	\$ 87,184	\$ -	\$ -	\$ (747,936)	\$ 5,941,399

See independent auditor's report.

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

Schedule II

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

See independent auditor's report.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidating Statement of Activities
For the Year Ended December 31, 2020

Schedule III

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Café Reconcile Landlord, LLC	Café Reconcile Tenant, LLC	Eliminations	Consolidated
Support						
Grants	\$ 532,895	\$ -	\$ -	\$ -	\$ -	\$ 532,895
Total Support	532,895	-	-	-	-	532,895
Revenues and Gains						
Restaurant Sales	127,227	-	-	-	-	127,227
Catering Sales	6,025	259,913	-	-	-	265,938
Contributions and Donations	512,096	-	-	-	-	512,096
Service Charges	-	2,813	-	-	-	2,813
Other	256,996	15,448	18,000	-	5,004	295,448
State Funding	645,215	-	-	-	-	645,215
Rental Income	14,060	1,350	59,942	108,412	(153,413)	30,351
Total Revenues and Gains	1,561,619	279,524	77,942	108,412	(148,409)	1,879,088
Total Support and Revenues	2,094,514	279,524	77,942	108,412	(148,409)	2,411,983
Expenses						
Program Expenses						
Workforce Development Program	1,515,929	-	-	-	-	1,515,929
Supporting Services						
Management and General	560,737	306,477	107,439	152,324	(204,860)	922,117
Fundraising	228,735	-	-	-	-	228,735
Total Expenses	2,305,401	306,477	107,439	152,324	(204,860)	2,666,781
Change in Net Assets	(210,887)	(26,953)	(29,497)	(43,912)	56,451	(254,798)
Net Assets, Beginning of Year	4,872,619	(636,405)	1,360,538	198,779	(787,291)	5,008,240
Contributions	91,710	-	-	-	-	91,710
Distributions	-	-	(1,331,041)	(154,867)	1,394,198	(91,710)
Net Assets, End of Year	\$ 4,753,442	\$ (663,358)	\$ -	\$ -	\$ 663,358	\$ 4,753,442

See independent auditor's report.

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

Schedule IV

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

See independent auditor's report.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Compensation, Benefits, and Other Payments to
Agency Head
For the Year Ended December 31, 2020

Agency Head
 Gerald Duhon, Executive Director

Purpose	Amount
Salary	\$135,865
Bonus	\$0
Benefits - Insurance	\$8,578
Benefits - Retirement	\$0
Benefits - Other	\$560
Car Allowance	\$0
Vehicle Provided by Organization	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Miscellaneous Expenses	\$0

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

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Reconcile New Orleans, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

A handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Covington, LA
May 11, 2021

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Findings and Responses
For the Year Ended December 31, 2020

Part I - Summary of Auditor's Results

Financial Statements

- 1. Type of auditors' report issued: Unmodified

- 2. Internal control over financial reporting:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? None Reported

- 3. Noncompliance material to the financial statements noted? No

Federal Awards - Not applicable

Part II - Financial Statement Findings

None noted.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

None noted.