

**Greater St. Stephen Ministries Housing
and Development Corporation**

(a nonprofit organization)

For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Greater St. Stephen Ministries Housing and Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Greater St. Stephen Ministries Housing and Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater St. Stephen Ministries Housing and Development Corporation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019 on our consideration of Greater St. Stephen Ministries Housing and Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greater St. Stephen Ministries Housing and Development Corporation's internal control over financial reporting and compliance.

J. Walker & Company, APC

Lake Charles, Louisiana

June 21, 2019



BASIC FINANCIAL STATEMENTS

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION

Statement of Financial Position
As of December 31, 2018

| <u>Assets</u> | |
|---|---------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 18,559 |
| Accounts receivable, net | 1,811 |
| Grants receivable | 62,799 |
| Prepaid expenses | 37,397 |
| Inter - church transfer | <u>20,000</u> |
| Total Current Assets | <u>140,566</u> |
| Property and Equipment | |
| Property and equipment, net | <u>4,972,002</u> |
| Total Assets | <u>\$ 5,112,568</u> |
| <u>Liabilities And Net Assets</u> | |
| Current Liabilities | |
| Accounts payable | \$ 100 |
| Accrued liabilities | 4,925 |
| Other current liabilities | <u>80,279</u> |
| Total Current Liabilities | <u>85,304</u> |
| Total Liabilities | 85,304 |
| Net Assets | |
| Without donor restrictions | 4,476,183 |
| With donor restrictions | <u>551,080</u> |
| Total Net Assets | <u>5,027,263</u> |
| Total Liabilities and Net Assets | <u>\$ 5,112,568</u> |

The accompanying notes are an integral part of the financial statements

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION

**Statement of Activities
For the Year Ended December 31, 2018**

| | <u>Without Donor Restrictions</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|---------------------------------------|-----------------------------------|---------------------|
| Revenues and other support | | | |
| Rental income | \$ 567,503 | \$ - | \$ 567,503 |
| Grants - federal | - | 211,230 | 211,230 |
| Other revenue | <u>25</u> | <u>-</u> | <u>25</u> |
| Total Revenues | 567,528 | 211,230 | 778,758 |
| Expenses | | | |
| Program services | 75,606 | - | 75,606 |
| Management and general | <u>593,073</u> | <u>-</u> | <u>593,073</u> |
| Total Expenses | <u>668,679</u> | <u>-</u> | <u>668,679</u> |
| Change in Net Assets | (101,151) | 211,230 | 110,079 |
| Net Assets, Beginning of Year | <u>4,577,334</u> | <u>339,850</u> | <u>4,917,184</u> |
| Net Assets, End of Year | <u>\$ 4,476,183</u> | <u>\$ 551,080</u> | <u>\$ 5,027,263</u> |

The accompanying notes are an integral part of the financial statements

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION

**Statement of Cash Flows
For the Year Ended December 31, 2018**

Cash Flows From Operating Activities:

Change in net assets \$ 110,079

Adjustments to Reconcile Net Income (Loss)
to net Cash Provided by Operating Activities:

Depreciation and amortization 252,127

Other noncash items (262,889)

Increase in accounts receivable (1,811)

Increase in grants receivable (34,032)

Increase in prepaid expense (37,397)

Increase in Inter-church transfer (20,000)

Increase in accounts payable 100

Increase in accrued liabilities 1,221

Total Adjustments (102,681)

Net Cash Provided by Operating Activities 7,398

Cash Flows From Financing Activities:

Proceeds from line of credit (33,721)

Net Cash Used in Financing Activities (33,721)

Net Increase (Decrease) in Cash and Cash Equivalents (26,323)

Cash and Cash Equivalents at Beginning of Year 44,882

Cash and Cash Equivalents at End of Year \$ 18,559

The accompanying notes are an integral part of the financial statements

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION

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

| | <u>Program Services</u> | | <u>Supporting Services</u> | | <u>Total Expenses</u> |
|-------------------------|-------------------------|-------------------------------|-------------------------------|-------------------------------|-----------------------|
| | <u>FEMA</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Total Support Services</u> | |
| Salaries expense | \$ - | \$ - | \$ 129,255 | \$ 129,255 | \$ 129,255 |
| Depreciation | - | - | 252,127 | 252,127 | 252,127 |
| Contract service | 75,606 | 75,606 | - | - | 75,606 |
| Interest | - | - | 7,455 | 7,455 | 7,455 |
| Maintenance and repairs | - | - | 167,515 | 167,515 | 167,515 |
| Accounting service | - | - | 8,560 | 8,560 | 8,560 |
| Office supplies | - | - | 790 | 790 | 790 |
| Telephone | - | - | 978 | 978 | 978 |
| Other | - | - | 26,393 | 26,393 | 26,393 |
| Total Expenses | <u>\$ 75,606</u> | <u>\$ 75,606</u> | <u>\$ 593,073</u> | <u>\$ 593,073</u> | <u>\$ 668,679</u> |

The accompanying notes are an integral part of the financial statements

Greater St. Stephen Ministries Housing and Development Corporation

Notes to the Financial Statements December 31, 2018

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

Greater St. Stephen Ministries Housing and Development Corporation (the “Organization”) is a single asset corporation that owns and operates a large multi-family housing development in New Orleans East, referred to as Greater St. Stephen City. The Organization was established in 1996 to provide low to moderate income families with attractive, well-maintained, safe, and affordable housing. The Church has significant influence over the corporation via common management and common board control. The Church also provides certain payroll management functions, as well as office space, utilities, and the use of all office furniture and equipment to the Organization.

Basis of Accounting

The Organization’s financial statements are prepared on the accrual basis of accounting, where by revenue is recorded when earned and expenses are recorded when incurred.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization’s resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statement of Not-for-Profit Entities. Under the ASU 2016-14, the Organization is required to report only two classes of net assets: “net assets without donor restrictions” and “net assets with donor restrictions.”

Net Assets without Donor Restrictions – are available for use at the discretion of the Board of Trustees (the Board) and /or management for general operating purposes.

Net Assets with Donor Restrictions – are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 accounting and reporting purposes, cash and cash equivalents includes cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less.

Greater St. Stephen Ministries Housing and Development Corporation

**Notes to the Financial Statements (Continued)
December 31, 2018**

Rental Income and Accounts Receivable

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the properties are operating leases.

Rental charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages and cleaning fees, if applicable. Accounts receivable consist of amounts due for rental income, other tenant charges for damages and cleaning fees in excess of forfeited security deposits. The project does not accrue interest on the tenant receivable balances.

Property and Equipment

The property and equipment of the Organization are recorded as assets and are stated at historical cost when purchased. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. The Organization follows the practice of capitalizing all fixed asset purchases that exceed \$1,000, and depreciating the assets on the straight line basis. The useful lives of the Organization's assets are estimated as follows:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 39 years |
| Equipment | 10 years |

Current Liabilities

Current liabilities for the Organization are comprised of obligations that, by their term, are due on demand or will be due on demand within one year from the statement of financial position date.

Compensated Absences

The Organization accounts for compensated absences (e.g., unused vacation, sick leave) as directed by the Financial Accounting Standards Board Accounting Standards Codification No. 710-10-50-1 (FASB ASC 710-10-50-1), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to benefits. As of December 31, 2018, no estimates were made for compensated absences.

Income Taxes

The Organization has received its separate tax exempt status and has the filing requirements for the year ended December 31, 2018. It operates under Section 501(c)(3) of the Internal Revenue Code. The deadline to file the Form 990 for the tax year ended December 31, 2018 was May 15, 2019. The organization requested an automatic extension to file. The extension due date is November 15, 2019.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Greater St. Stephen Ministries Housing and Development Corporation

Notes to the Financial Statements (Continued) December 31, 2018

Reclassifications

Certain accounts in the 2017 financial statements have been reclassified to conform to the current year financial statement presentation.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958) The ASU amends the current reporting model for nonprofits and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restriction" and "net assets with donor restriction", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present reconciliation (the indirect method). The Organization has chosen to present its statements of cash flows using the indirect method.

Note 2 – Grant Financing

The Organization received funding in the amount of \$211,230 from the U.S. Department of Housing and Urban Development. The funds were distributed through the Community Development Block Grant, which was provided to the Louisiana Recovery Authority (LRA) following the destruction of Hurricane Katrina. The program that this agency participated in is known as the Small Rental Property Program, which is focused on rebuilding the stock of one to four unit rental properties to address the housing needs of low to moderate income people in the most heavily damaged areas, speeding the recovery of entire neighborhoods and communities. As a result of receiving these funds, the Organization has made a commitment to make fifty percent (50%) of the renovated properties available to supportive housing occupants for a minimum of 20 years. The loan is considered to be guaranteed throughout the 20 year period contingent on the Organization's compliance with the regulatory requirements. The loan is also considered to be non-amortizing and non-interest bearing during its entire term unless a default occurs due to acts of non-compliance.

Note 3 – Line of Credit

The Organization has a \$250,000 uncollateralized revolving business line of credit. As of December 31, 2018 the remaining balance was \$80,279 with a 7.50% interest rate.

Greater St. Stephen Ministries Housing and Development Corporation

Notes to the Financial Statements (Continued)
December 31, 2018

Note 4 – Fair Value Financial Instruments

FASB Accounting Standards Codification Topic 820, “Fair Value Measurements” (Topic 820), Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata include:

The Organization’s financial instruments (primarily cash) are carried in the accompanying Statement of Financial Position at amounts which reasonably approximate fair value. The estimated fair value amounts have been determined by the Organization on a recurring basis using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange. The recorded value of cash approximates its fair value based on its short-term nature. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Note 5 – Property and Equipment

Fixed assets as of December 31, 2018 are summarized as follows:

| | |
|-------------------------------|---------------------|
| Building and Improvements | \$ 5,743,350 |
| Construction in Progress | \$ 262,889 |
| Equipment | 4,200 |
| Less Accumulated Depreciation | <u>(1,038,438)</u> |
| Total | <u>\$ 4,972,002</u> |

Depreciation expense totaled \$252,127 for the year ended December 31, 2018.

Note 6 – Concentrations of Risk

The Organization relies on rental income from tenants to maintain operations. Rental income accounts for nearly 100% of the Organization’s revenues. While it is considered reasonably possible that tenants may be lost in the near term, no current causes for concern were noted.

As of December 31, 2018, funds on deposit with various financial institutional did not exceed the available Federal Deposit Insurance Coverage.

Note 7 – Contingencies

The Organization received Recovery Act funding through the Road Home’s Small Rental Property Program. This federally funded program stipulates that the Organization must comply with federal, state, and program requirements when selecting tenants to occupy affordable units throughout the affordability period of 20 years. Compliance requirements include providing affordable housing to income-eligible tenants, as well as complying with fair housing laws and non-discriminatory practices. Repayment of the Rental Program assistance, including any additional penalties, is contingent upon the Organization’s compliance with all federally imposed guidelines.

Greater St. Stephen Ministries Housing and Development Corporation

**Notes to the Financial Statements (Continued)
December 31, 2018**

Note 8 – Board of Directors

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended December 31, 2018.

Note 9 – Related Party Transactions

Certain board members and employees of the Organization are also board members and employees of the Greater St. Stephen Ministries Full Gospel Baptist Church. The Church also provides certain payroll management functions, office space and furniture, utilities, and equipment to the Organization. The value of these services has not been determined by the Church.

Note 10 – Subsequent Events

The organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 21, 2019, the date that the financial statements were available to be issued.

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS



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

To the Board of Directors of
Greater St. Stephen Ministries Housing and Development Corporation

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 Greater St. Stephen Ministries Housing and Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Greater St. Stephen Ministries Housing and Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Greater St. Stephen Ministries Housing and Development Corporation. Accordingly, we do not express an opinion on the effectiveness of the Greater St. Stephen Ministries Housing and Development Corporation'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.

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Compliance and Other Matters

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

Purpose of this Report

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

J. Walker & Company, APC

Lake Charles, Louisiana

June 21, 2019



SCHEDULE OF FINDINGS AND RESPONSES

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION

Schedule of Findings and Responses For the Year Ended December 31, 2018

I. Summary of Auditors' Results

a. Financial Statements

1. The auditors' report expresses an unmodified opinion on the financial statements of Greater St. Stephen Ministries Housing and Development Corporation.
2. There were no control deficiencies disclosed during the audit of the financial statements and reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Greater St. Stephen Housing and Development Corporation were reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

b. Federal Awards

The entity reported they received less than \$750,000 in federal awards during the year ended December 31, 2018 and therefore is exempt from the audit requirements as required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

c. Management Letter

No management letter was issued in connection with the audit for the year ended December 31, 2018.

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION

**Schedule of Findings and Responses
For the Year Ended December 31, 2018**

II. Summary of Findings

There were no current findings.

GREATER ST. STEPHEN MINISTRIES HOUSING AND DEVELOPMENT CORPORATION

**Schedule of Findings and Responses
For the Year Ended December 31, 2018**

III. Summary of Prior Year Findings

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2017-01 Failure to timely file audit report

Fiscal Year Finding Originated: 2017

Condition:

During the year ended December 31, 2017, the Organization failed to submit audited report to LA Legislative Auditor in a timely manner.

Corrective Action Plan:

Management agrees to engage an independent auditor in a timely manner to ensure adequate time for the completion of the audit and the timely filing of report, keeping in compliance with La. R.S.24.513 which states that “all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee’s fiscal year.”

Current Status:

Resolved.

STATEWIDE AGREED-UPON PROCEDURES



J. WALKER & COMPANY^{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of
Greater St. Stephen Ministries Housing and Development Corporation
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by Greater St. Stephen Ministries Housing and Development Corporation and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Corporation's management is responsible for those C/C areas identified in the SAUPs. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

Not applicable.

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.

We performed the above procedure and noted the following exception:

No written policies and procedures in place related to purchasing.

Management Response: See management's response letter.

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

We performed the above procedure and noted the following exception:

No written policies and procedures in place related to disbursements.

Management Response: See management's response letter.

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

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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 above procedure and noted the following exception:

No written policies and procedures in place related to receipts/collections.

Management Response: See management's response letter.

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

We performed the above procedure and noted the following exception:

No written policies and procedures in place related to payroll/personnel.

Management Response: See management's response letter.

- 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

We performed the above procedure and noted the following exception:

No written policies and procedures in place related to contracting.

Management Response: See management's response letter.

- 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 above procedure and noted the following exception:

No written policies and procedures in place related to credit cards.

Management Response: See management's response letter.

- 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 above procedure and noted the following exception:

No written policies and procedures in place related to travel and expense reimbursement.

Management Response: See management's response letter.

- 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.

Not applicable.



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

Not applicable.

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.

We performed the procedure above and noted no exceptions.

- 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.

The organization is not a governmental entity. Therefore, the procedures above are not applicable.

- 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.

The organization is not a governmental entity. Therefore, the procedures above are not applicable.

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

We performed the procedure above and noted no exceptions.



- 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 procedure 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.

Not applicable.

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

We performed the procedure above and noted no exceptions.

- 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.

We performed the procedure above and noted no exceptions.

- 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.

We performed the procedure above and noted no exceptions.

- 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.

We performed the procedure above and noted no exceptions.



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

We performed the procedure above and noted no exceptions.

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). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

- 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).

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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).

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

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

We performed the above procedure and noted the following exceptions:

No purchase order system in place.

Management Response: See management’s response letter.



- 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.

We performed the procedure above and noted no exceptions.

- 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.

We performed the procedure above and noted no exceptions.

- 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) 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.

We performed the procedure above and noted no exceptions.

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.

- 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:

- 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 above procedure and noted the following exceptions:

Late fees were assessed on the selected statement in the month of April 2018.

See Management's Response: See management's response letter.

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 performed the procedure above and noted no exceptions.

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:

- 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).

We performed the procedure above and noted no exception.

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

We performed the procedure above and noted no exception.

- 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).

We performed the procedure above and noted no exception.

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

We performed the procedure above and noted no exceptions.



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:

- 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.

We performed the procedure above and noted no exception.

- 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).

We performed the procedure above and noted no exception.

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

No contracts reviewed were amended. Therefore, no procedures were performed.

- 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.

We performed the above procedures and noted the following exceptions;

The organization was unable to provide the written contracts for 1 out of 4 the vendors selected. No exception on the 3 contracts reviewed.

Management Response: See management's response letter.

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.

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

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and



leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

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

We performed the procedure above and noted no exceptions.

- 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' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

We performed the procedure above and noted no exceptions.

- 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.

We performed the procedure above and noted no exceptions.

Ethics

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

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

The organization is not required by statute to obtain Ethic's training, therefore, these procedures are not applicable.

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

The organization is not required by statute to obtain Ethic's training, therefore, these procedures are not applicable.



Debt Service

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

The organization did not issue debt during the fiscal period. Therefore, these procedures are not applicable.

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

We performed the procedure above and noted no exceptions.

Other

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

Per discussion with management, no misappropriation of public funds and assets was noted during the fiscal period.

24. 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.

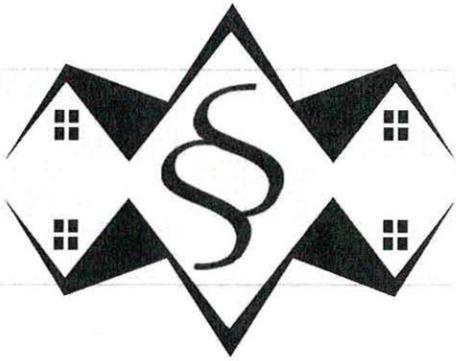
We performed the procedure above and noted no exceptions.

J. Walker & Company, APC

Lake Charles, Louisiana

June 11, 2019





GREATER ST. STEPHEN MINISTRIES
HOUSING AND DEVELOPMENT CORPORATION
5600 READ BOULEVARD, NEW ORLEANS, LA 70127 | O: (504) 244.6800 | F: (504) 899-7554

June 11, 2019

Management's Response Letter
Greater St. Stephen Ministries Housing & Development Corporation
Agree-Upon Procedures

Written Policies & Procedures

A written policy & procedure will be drafted and put in place to include the following. Original will remain on file for future review.

- 1b. Purchasing
- 1c. Disbursements
- 1d. Receipts/Collections
- 1e. Payroll/Personnel
- 1f. Contracting
- 1g. Credit Cards (and debit cards, fuel cards, P-Cards)
- 1h. Travel and expense reimbursement

Non-payroll Disbursements: excluding card purchase/payments, travel reimbursements and petty cash purchase.

9a. written purchase order policy will be drafted and put in place to include job order and person making the purchases. These purchase orders will be implemented going forward.

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

12b, no explanation on why late fee was charged. Future late fees will be reviewed more carefully and explanation will be documented on statements for late fees, if applicable.

Contracts

15b. Missing contract (Louisiana Demolition, Inc.) was an oversight at the time of the audit and has now been recovered. Will be on file for future review.

Sincerely,

Donna Williams
Chief Executive Officer

ST. STEPHEN CITY
A place to call home!