

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2022

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Daigrepoint & Brian
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of HIV/AIDS Alliance for Region Two, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (hereafter financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HIV/AIDS Alliance for Region Two, Inc. as of December 31, 2022, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HIV/AIDS Alliance for Region Two, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HIV/AIDS Alliance for Region Two, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HIV/AIDS Alliance for Region Two, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HIV/AIDS Alliance for Region Two, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

The accompanying Schedule of Compensation, Benefits, and Other Payments to the CEO, and the Statewide Agreed Upon Procedures are not a required part of the financial statements, but are supplementary information required by Louisiana State Law. 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. We have applied certain limited procedures, which are described in the Independent Accounts' Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly, express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023, on our consideration of HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 HIV/AIDS Alliance for Region Two, Inc.'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 HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting and compliance.



Daigrepoint & Brian, APAC
Baton Rouge, LA

June 28, 2023

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current Assets	
Cash	\$ 2,427,819
Accounts Receivable, net	
Grants	5,121,371
Clinic	620,195
340B Pharmacy	1,135,450
Inventory	307,785
Prepaid Expenses	340,380
Total Current Assets	<u>9,953,000</u>
Property and Equipment, net	6,153,111
Right of Use Asset - Operating	<u>2,910,552</u>
Total Assets	<u><u>\$ 19,016,663</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	\$ 1,382,816
Line of Credit	568,964
Construction Loans	695,238
Lease liability - Operating, Short Term	819,350
Other Current Liabilities	596,702
Total Current Liabilities	<u>4,063,070</u>
Lease Liability - Operating, Net of Short Term	<u>2,091,202</u>
Total Liabilities	6,154,272
Net Assets Without Donor Restrictions	<u>12,862,391</u>
Total Liabilities and Net Assets	<u><u>\$ 19,016,663</u></u>

See accompanying notes and independent auditors' report.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

REVENUES

Governmental Grants	\$ 31,365,256
340B Drug Program	13,804,045
Fees for Services	4,291,047
Donations and Grants	4,197,744
Housing Income	32,535
Other Income	265,623
	<hr/>
Total Revenues	53,956,250

EXPENSES

Program Expenses	
340B Drug Program	10,018,647
Housing and Supportive Services	950,745
Community Health	951,308
Health Insurance Program	21,960,603
Medical Services	11,939,039
Ryan White Part A/MAI	1,608,255
General and Administrative	5,788,189
	<hr/>
Total Expenses	53,216,786

CHANGE IN NET ASSETS

	739,464
Net assets - Beginning of Year	<hr/> 12,122,927
Net assets - End of Year	<hr/> <u>\$ 12,862,391</u>

See accompanying notes and independent auditors' report.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022

	340B	Housing & Supportive Services	Community Health	Health Insurance Program	Medical Services	Ryan White Part A/MAI	General & Administrative	Total
Bad Debt	\$ -	\$ 21,593	\$ -	\$ -	\$ 1,045,413	\$ -	\$ -	\$ 1,067,006
Clinic Expenses	2,603	239	154,146	789	729,609	25,699	6,613	919,698
Contract Labor	-	-	-	-	-	-	87,343	87,343
Depreciation	-	-	-	-	-	-	599,410	599,410
Direct Assistance and Programs	9,927,232	488,186	9,144	21,276,316	243,554	704,647	8,822	32,657,901
Facilities	15	3,066	1,011	-	123,284	2,398	39,053	168,827
Insurance	104	27,921	-	-	16,381	-	162,345	206,751
Interest Expense	-	-	-	-	-	-	19,676	19,676
Other Expenses	44,804	2,136	23,685	68,385	617,653	28,634	729,398	1,514,695
Payroll Taxes & Benefits	3,704	66,748	94,459	107,964	1,110,551	139,381	455,298	1,978,105
Professional Services	530	2,524	2,688	2,125	146,599	14,945	1,029,134	1,198,545
Rent Expense	-	33,897	75,609	9,338	678,740	46,040	194,565	1,038,189
Salaries and Wages	37,676	295,334	589,843	487,234	7,181,154	628,884	2,362,930	11,583,055
Travel and Meals	1,979	9,101	723	8,452	46,101	17,627	93,602	177,585
Total Expenses	\$10,018,647	\$ 950,745	\$ 951,308	\$21,960,603	\$11,939,039	\$ 1,608,255	\$ 5,788,189	\$53,216,786

See accompanying notes and independent auditors' report.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 739,464
<u>Adjustments to reconcile net revenues over expenses to net cash provided by operating activities:</u>	
Depreciation	599,410
Change in allowance for doubtful accounts	(204,974)
Right of use asset - operating	(2,910,552)
Lease liability - operating	2,910,552
(Increase)/decrease in:	
Accounts receivable	1,152,063
Inventory	(264,213)
Prepaid expenses	(125,317)
(Decrease)/increase in:	
Accounts payable	494,818
Other current liabilities	(27,320)
	<hr/>
Net cash provided by operating activities	2,363,931

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets	<u>(3,384,673)</u>
Net cash used in investing activities	(3,384,673)

CASH FLOWS FROM FINANCING ACTIVITIES

Draws on line of credit	16,188,012
Payments on line of credit	(15,619,048)
Proceeds from construction loan	<u>695,238</u>
Net cash provided by financing activities	<u>1,264,202</u>

INCREASE IN CASH 243,460

CASH, BEGINNING OF YEAR 2,184,359

CASH, END OF YEAR \$ 2,427,819

SUPPLEMENTAL DISCLOSURE

Cash paid for interest during the year	<u><u>\$ 19,676</u></u>
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See accompanying notes and independent auditors' report.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

A. SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

HIV/AIDS Alliance for Region Two, Inc. (HAART) is a Louisiana community-based 501(c)3 non-profit, incorporated on February 16, 1995, for the purpose of responding to the threat of the HIV (Human Immunodeficiency Virus) and AIDS (Acquired Immune Deficiency Syndrome) diseases existing in Louisiana, through the development of educational programs, support services, assistance, and financial development. In furtherance of those purposes, the corporation is authorized, but not limited to, purchasing and acquiring property, receiving and administering donations of money, property, or other things of value, rendering charitable assistance to individuals living with, or at risk of acquiring, HIV infection or AIDS or educational work related to the HIV or AIDS threat.

Medical Services

In 2015, HAART was designated through the Bureau of Primary Health Care as a Federally Qualified Health Center (FQHC), under Section 330(e) of the U.S. Public Health Act, Community Health Centers. The designation comes with annual grant funding in order to ensure access to primary care, oral health and behavioral health services to low-income and uninsured and under insured persons and families residing in the Baton Rouge and Denham Springs area. This FQHC is operated under the name Open Health Care Clinic.

The organization has a wholly-owned subsidiary, Caring Clinic of Louisiana, chartered in Louisiana in 2007 as a Limited Liability Company (LLC). Medical services under the name of Caring Clinic were discontinued in 2017, although the LLC remains active and in good standing with the Louisiana Secretary of State's office.

HAART receives various funding that enables primary care services through the Open Health Care Clinic for uninsured HIV positive persons and early intervention services for those who are newly diagnosed or returning to care. As a federally qualified health center Open Health is required to provide care to all comers, not just those with HIV disease, from birth to death regardless of ability to pay. The organization is required to provide primary care for adults and children, dental services, and behavioral health care services.

340B Drug Program

HAART and Caring Clinic of Louisiana are both registered as eligible entities in the 340B Drug Pricing Program, administered by HHS/HRSA's Office of Pharmacy Affairs, and employs three contract pharmacies to manage and dispense medications to eligible patients. The medications are available for purchase at a discounted price, resulting in net revenue to the entities based on these savings.

In 2022 the organization opened an in-house pharmacy under the 340B drug program at its main health clinic in mid-city Baton Rouge.

Community Health

HAART provides HIV Counseling, Testing and Referral (CTR) services, prevention materials availability and evidence-based interventions with funding from CDC received through the state health department. State funds also support a Wellness Center targeting persons needing testing and treatment for sexually-transmitted infections (STI's) and Pre- and Post-Exposure Prophylaxis (PrEP and PEP) to prevent contracting HIV disease.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Housing and Supportive Services

HAART receives two types of grant funding from the Department of Housing and Urban Development (HUD). They are 1) Housing Opportunities for People with AIDS (HOPWA), funded through the City of Baton Rouge-Parish of East Baton Rouge, and 2) Supportive Housing Program (SHP), funded directly by HUD and coordinated through the Louisiana Housing Corporation. The HOPWA grant funds are used to prevent homelessness among persons with AIDS and are used for Project-based housing assistance, Acquisition and Rehabilitation and Supportive Services. SHP funds are used to assist homeless persons including special populations and the chronically homeless. HAART has two SHP grants which are used for permanent housing assistance and supportive services to help ensure clients remain housed in order to thrive.

HAART has used HOPWA and Neighborhood Stabilization Program (NSP) funds for the acquisition of land and buildings, reflected on the balance sheet net of depreciation, consisting of eight single family homes and a ten-unit apartment complex.

HAART also receives Ryan White Part A funding which is used to provide non-medical case management, pharmaceutical assistance, medical transportation, and other services. This program is administered in the nine-parish Metropolitan Statistical Area (MSA) by the City of Baton Rouge-Parish of East Baton Rouge's Department of Human and Developmental Services.

Health Insurance Program

HAART's largest grant funded contract is to administer a Ryan White Part B program for the Louisiana Department of Health. The program assists persons statewide who are living with HIV by purchasing health insurance policies to cover their cost of care and also assists with patient responsibility cost-shares associated with the insurance coverage.

Basis of Accounting

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

Financial Statement Presentation

The financial statements are presented on a consolidated basis with the Caring Clinic of Louisiana, LLC (Clinic), a wholly owned subsidiary of HAART, being consolidated. The Clinic is a single-member LLC with HAART, the corporation, serving as the single member. The Clinic has not had any activity since 2017.

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

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

HAART extends credit to patients and third parties in the normal course of business. Accounts receivable arising from grants are recorded at their net realizable value while accounts receivable from patient service fees are recorded at their original amount less contractual adjustments and an allowance for doubtful accounts. These contractual adjustments and allowance for doubtful accounts are based on management's estimates, historical experience and a review of all outstanding amounts on an ongoing basis. For the year ended December 31, 2022 the allowance for doubtful accounts was \$662,932. Receivables are written off when deemed uncollectible by management and recoveries, if any, are recorded when received.

Inventory

Inventory consists of prescription medications for the in house pharmacy and is valued at cost using the first in first out method.

Net Assets

HAART reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions. HAART does not have any net assets with donor restrictions for the year ended December 31, 2022.

Revenue Recognition

Revenue from grants and contracts are recognized according to the specific agreement. Generally, revenues from grants are recognized in the period of the grant awarded. Revenue from cost reimbursement contracts are earned when costs are incurred and services are provided.

Revenues from the 340B drug program and fees for medical and other services are recognized when the performance obligations are met. As it relates to the 340B drug program revenue is recognized as the prescription is provided to customers. The performance obligations as it relates to the fees for medical and other services are satisfied at the time the services are rendered. HAART does not have any activity that would give rise to variable consideration.

Functional Expenses

HAART allocates its expenses on a functional basis between program services or general and administrative. Expenses that can be identified with a specific program are allocated directly to programs according to their natural expense classification. Other expenses are allocated between programs or general and administrative based on management's best estimate of time, percentage, or square footage used, among other factors.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

A. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-exempt Status

HAART is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

HAART files Form 990 in the U.S. federal jurisdiction. The organization is no longer subject to federal information return examinations by tax authorities beyond three years from the filing of those returns.

HAART follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

Advertising

HAART follows the policy of charging the costs of advertising to expense as incurred. Advertising expense amounted to \$178,124 for the year ended December 31, 2022.

Subsequent Events

In preparing these consolidated financial statements HAART has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued.

Recently Issued Accounting Standards

As of January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and all subsequent amendments. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. For all leases with terms greater than 12 months, the new guidance requires lessees to recognize right-of-use assets and corresponding lease liabilities on the balance sheet and to disclose qualitative and quantitative information about lease transactions. The new standard maintains a distinction between finance leases and operating leases.

Effective January 1, 2022, the first day of fiscal year 2022, the Organization adopted the requirements of ASU 2016-02 using the transition provisions at the date of adoption instead of at the earliest comparative period presented in the financial statements. The Organization elected the group of practical expedients that allowed the Organization to not reassess the following: whether any expired or existing contracts represent leases, the classification of any expired or existing leases, and the initial direct costs for any expired or existing leases. The adoption of ASU 2016-02 did not have a material impact on the statements of activities and changes in net assets or cash flows.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

B. PROPERTY

Property and equipment is presented in the financial statements at cost less allowances for depreciation. Depreciation is computed using the straight-line method and is provided over the estimated useful lives of assets which ranges from 3 to 27.5 years.

Property and equipment, related service lives, and accumulated depreciation as of December 31, 2022 are as follows:

Machinery and equipment	5-7 years	\$ 1,385,068
Furniture and fixtures	5-7 years	989,327
Automobiles	5 years	735,278
Buildings	27.5 years	2,974,080
Software	3 years	112,858
Leasehold improvements	15 years	<u>2,650,808</u>
		8,847,419
Accumulated depreciation		<u>(2,694,308)</u>
		<u>\$ 6,153,111</u>

Depreciation expense was \$599,410 for the year ended December 31, 2022.

C. LINE OF CREDIT

HAART has a line of credit with a regional financial institution for \$1,500,000 at a variable interest rate of LIBOR plus 3% which at year end was 8.49% which matures on May 3, 2023. At December 31, 2022 the balance on the line of credit was \$568,964.

Total interest expense as it relates to this line of credit for the year ended December 31, 2022 was \$19,325.

D. CONSTRUCTION LOANS

On October 7, 2022 HAART entered into a construction loan with a local bank for renovations of a dental clinic. The total amount allowable on this loan is \$1,180,000 and has an interest rate of 4.95%. This loan is interest only until October 7, 2023 in which all unpaid principal and interest will be due. At December 31, 2022 the balance on this construction loan was \$549,174.

On October 7, 2022 HAART entered into a construction loan with a local bank for renovations of an administration building. The total amount allowable on this loan is \$664,000 and has an interest rate of 4.95%. This loan is interest only until October 7, 2023 in which all unpaid principal and interest will be due. At December 31, 2022 the balance on this construction loan was \$146,064.

Total interest expense as it relates to these construction loans for the year ended December 31, 2022 was \$352.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

E. LEASES

HAART has several multiyear operating leases for clinic space in Baton Rouge and Denham Springs that apply to Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. These leases have monthly payments ranging from approximately \$3,200 to \$36,000 and expire at various times between 2024 and 2027. While the lease arrangements do not state an explicit rate, a discount rate of 3.10% was determined using financing arrangements available to the company at the date of adoption.

HAART has a right of use asset related to these clinics in the amount of \$2,910,552. Lease expense related to these leases was \$829,632 for the year ending December 31, 2022.

Future payments on operating leases as of December 31, 2022 is as follows:

2023	\$ 898,056
2024	898,398
2025	682,952
2026	540,096
2027	<u>61,388</u>
Total lease payments	3,080,890
Present value discount	<u>(170,338)</u>
Net lease liabilities	<u>\$ 2,910,552</u>

As of December 31, 2022 the weighted average of the remaining lease terms were 3.53 years and the weighted average discount rate was 3.10%.

HAART also leases office and clinic space on a month-to-month basis that do not apply to Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Total rent expense for these leases was \$208,557 for the year ending December 31, 2022.

F. ECONOMIC DEPENDENCY

HAART derives the majority of its revenues from governmental sources as earned revenue or grants, the loss of which would have a material adverse effect on HAART. During the year ended December 31, 2022 revenue derived from governmental sources accounted for 58% of total revenue.

G. CONCENTRATIONS

Financial instruments which subject HAART to concentrations of credit risk consist of cash deposits held with local banks. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. HAART maintains cash in local and regional financial institutions which often exceed the FDIC limits. Management does not believe that it is exposed to any significant credit risk on uninsured amounts.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

G. CONCENTRATIONS (Continued)

Concentrations of revenues and receivables greater than or equal to 10% for the year ended December 31, 2022 are as follows:

	<u>Revenue</u>	<u>Receivables</u>
Health Insurance Program	43%	48%
340B Drug Program	26%	10%
FQHC Section 330	N/A	10%

H. RISKS AND UNCERTAINTIES

Grants

HAART receives federal and state contracts for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the agency for expenditures disallowed under terms of the contract. It is the opinion of management that HAART's compliance with the terms of contracts will result in negligible, if any, disallowed costs.

Risk Management

HAART is exposed to various risks of loss related to torts, claims, theft, and damage in the normal course of business. HAART has purchased various insurance policies to cover such risks. Management is not aware of any pending claims or losses that would have a material effect on its operations or financial position.

I. PAID TIME OFF

Paid time off is earned at varying rates from two to six weeks per year depending on length of service. A maximum of six weeks paid time off could be carried over at each employee's anniversary date. The amount accrued for paid time off at December 31, 2022 is \$269,605.

J. LIQUIDTY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects HAART's financial assets as of the consolidated statement of financial position date within one year of the statement of financial position date.

Financial Assets at Year End:	
Cash	\$ 2,427,819
Accounts Receivable, net	6,877,016
Available Line of Credit	<u>931,036</u>
Financial Assets Available for General Expenditures	<u>\$ 10,235,871</u>

As part of HAART's liquidity management cash is kept in various checking and savings accounts that can be accessed to meet daily needs of the organization. In addition, HAART has a \$1,500,000 line of credit it could draw upon in the event of an unanticipated liquidity need.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

K. RETIREMENT PLAN

HAART has adopted a 403(b) retirement plan with a 5% match. Under the provisions of the plan, employees may elect to defer a percentage of their compensation up to a maximum amount established by the IRS. Salary deferrals and the related earnings are 100% vested and non-forfeitable. In 2022 employer contributions to the plan were \$311,595.

L. SIGNIFICANT DONATIONS

During the year, HAART received a donation bequeathed from the Succession of Angelina Wilson totaling \$4,000,000. Future donations from the Succession of Angelina Wilson are anticipated, although the amounts and timing are uncertain.

M. SUBSEQUENT EVENT

On January 27, 2023 HAART purchased a building to be the future site of the corporate office and main health clinic. The total price of the building was approximately \$4.8 million of which \$3.1 million was financed with a local bank. Management anticipates necessary renovations on the building to be between \$8 and \$9 million. Funding for these renovations are expected to come from a combination of operating revenue, governmental earmarks, or construction loans.

HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor or Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Continuum of Care Program	14.267	N/A	\$ 348,703
City of Baton Rouge/Parish of East Baton Rouge			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	LAH21-F002	<u>430,681</u>
Total U.S. Department of Housing and Urban Development			779,384
Center for Disease Control			
PS21 - 2102	93.939	N/A	<u>441,189</u>
Total U.S. Department of Education			441,189
U.S. Department of Health and Human Services			
Health Center Program	93.224	N/A	1,851,223
Health Center Program - CARES Act C8E	93.224	N/A	596,261
Health Center Program - CARES Act H8F	93.224	N/A	1,219,633
Health Center Program - CARES Act H8G	93.224	N/A	23,247
Capital Area Human Services District			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	SM-17-008	157,834
City of Baton Rouge/Parish of East Baton Rouge			
HIV Emergency Relief Grant Program - Ryan White Part A	93.914	6 H89HA11432- 14-01	1,173,201
HIV Emergency Relief Grant Program - Ryan White Part A MAI	93.914	6 H89HA11432- 14-01	195,679
HIV Emergency Relief Grant Program - Ryan White Part A COVID-19 Supplement	93.914	6 H89HA11432- 14-01	908
HIV Emergency Relief Grant Program - Ryan White Part A Ending the HIV Epidemic	93.914	6 H89HA11432- 14-01	325,867

See accompanying notes to schedule of expenditures of federal awards.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor or Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Louisiana Department of Health			
HIV Care Formula Grants - Ryan White Part B	93.917	2000562141	23,044,962
HIV Prevention Activities-Health Department Based			
Care and Prevention in the United States (CAPUS)	93.940	2000534540	271,240
STD/HIV Program - Wellness	93.940	2000656844	73,409
STD/HIV Program - Testing	93.940	2000656882	102,344
Preventive Health Services - Sexually Transmitted Diseases	93.977	N/A	<u>414,686</u>
Total U.S. Department of Health and Human Services			<u>29,450,494</u>
Total Expenditures of Federal Awards			<u><u>\$ 30,671,067</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of HIV/AIDS Alliance for Region Two, Inc. (HAART) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of HAART, it is not intended to and does not present the financial position, changes in net assets, or cash flows of HAART.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

HAART is reimbursed for actual costs incurred and does not apply an indirect cost rate.

4. Provider Relief Fund

The Schedule of Expenditures of Federal Awards does not include Provider Relief Funds of \$526,659 that were received in 2022. The Compliance Supplement states that these funds should be reported on the Schedule of Expenditures of Federal Awards based on the Provider Relief Fund reporting time period which will be in 2023.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO CEO
FOR THE YEAR ENDED DECEMBER 31, 2022**

Chief Executive Officer: Timothy Young

No compensation paid from public funds.



Daigrepoint & Brian
Certified Public Accountants

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
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of HIV/AIDS Alliance for Region Two, Inc. (a non-profit organization) which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities and changes in net assets, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements (hereafter financial statements), and have issued our report thereon dated June 28, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HIV/AIDS Alliance for Region Two, Inc.'s internal control over financial reporting. 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 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 the 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HIV/AIDS Alliance for Region Two, Inc.'s financial statements are free of 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 audits 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.



Daigrepoint & Brian, APAC
Baton Rouge, LA

June 28, 2023



Daigrepoint & Brian
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited HIV/AIDS Alliance for Region Two, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of HIV/AIDS Alliance for Region Two, Inc.'s major federal programs for the year ended December 31, 2022. HIV/AIDS Alliance for Region Two, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, HIV/AIDS Alliance for Region Two, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HIV/AIDS Alliance for Region Two, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of HIV/AIDS Alliance for Region Two, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HIV/AIDS Alliance for Region Two, Inc.'s federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HIV/AIDS Alliance for Region Two, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HIV/AIDS Alliance for Region Two, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding HIV/AIDS Alliance for Region Two, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HIV/AIDS Alliance for Region Two, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of HIV/AIDS Alliance for Region Two, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material

weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Daigrepoint & Brian APAC". The signature is written in a cursive, flowing style.

Daigrepoint & Brian, APAC
Baton Rouge, LA

June 28, 2023

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

We have audited the consolidated financial statements of HIV/AIDS Alliance for Region Two, Inc., as of December 31, 2022, and for the year then ended, and have issued our report thereon dated June 28, 2023. We conducted our audit 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 and the provisions of the Uniform Guidance. Our audit of the consolidated financial statements as of December 31, 2022 resulted in an unmodified opinion.

Summary of Auditors' Reports

Identification of Major Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.224	Health Center Program
93.914	HIV Emergency Relief Project Grants - Ryan White Part A
93.917	HIV Care Formula Grants - Ryan White Part B

Dollar threshold used to distinguish between Type A and Type B programs \$ 939,869

Is the auditee a 'low risk' auditee as defined by the Uniform Guidance Yes X No

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control			
Material Weaknesses	Yes <u> </u>	No <u> </u>	<u> X </u>
Significant Deficiencies	Yes <u> </u>	No <u> </u>	<u> X </u>
Compliance with Provisions of Laws, Regulation, Contracts or Grant Agreements	Yes <u> </u>	No <u> </u>	<u> X </u>

Report on Each Major Federal Program and on Internal Control Over Compliance

Internal Control			
Material Weaknesses	Yes <u> </u>	No <u> </u>	<u> X </u>
Significant Deficiencies	Yes <u> </u>	No <u> </u>	<u> X </u>

Type of Opinion on Compliance for Each Major Program	
93.224 - Health Center Program	<u>Unmodified</u>
93.914 - HIV Emergency Relief Project Grants - Ryan White Part A	<u>Unmodified</u>
93.917 - HIV Care Formula Grants - Ryan White Part B	<u>Unmodified</u>

Are there findings required to be reported in accordance with the Uniform Guidance Yes No X

Findings - Financial Statement Audit

There are no findings for the year ended December 31, 2022.

Questioned Costs

There are no questioned costs for the year ended December 31, 2022.

**HIV/AIDS ALLIANCE FOR REGION TWO, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Summary of Prior Audit Findings

There were no findings for the year ended December 31, 2021.

Questioned Costs

There were no questioned cost for the year ended December 31, 2021.



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
HIV/AIDS Alliance for Region Two, Inc.
Baton Rouge, LA

To the Board of Directors of HIV/AIDS Alliance for Region Two, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. HIV/AIDS Alliance for Region Two, Inc.'s management is responsible for those C/C areas identified in the SAUPs.

HIV/AIDS Alliance for Region Two, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

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 whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.
 - d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Exception: There is no written policy and procedure regarding budgeting. However, a budget is prepared and approved by the board on an annual basis.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.
- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions noted as a result of applying this procedure.

Bank Reconciliations

- 3. Obtain a listing of entity 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 each selected 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 or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions noted as a result of applying this procedure.

Collections (excluding electronic funds transfers)

- 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 responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe 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 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions noted as a result of applying this procedure.

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.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (ETF), wire transfer, or some other electronic means.

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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted as a result of applying this procedure.

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

10. 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.
11. 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 whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
12. 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 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions noted as a result of applying this procedure.

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

13. 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, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted as a result of applying this procedure.

Contracts

14. 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 whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - 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 the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions noted as a result of applying this procedure.

Payroll and Personnel

15. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
16. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - b) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

- c) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- 17. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- 18. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions noted as a result of applying this procedure.

Ethics

- 19. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- 20. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: HIV/AIDS Alliance for Region Two, Inc. is a nonprofit organization so this procedure does not apply.

Debt Service

- 21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.
- 22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: HIV/AIDS Alliance for Region Two, Inc. is a nonprofit organization so this procedure does not apply.

Fraud Notice

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

Results: No exceptions noted as a result of applying this procedure.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
26. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees previously obtained. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedures and discussed the results with management.

Sexual Harassment

27. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
28. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
29. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Results: HIV/AIDS Alliance for Region Two, Inc. is a nonprofit organization so this procedure does not apply.

Management's Response: We have reviewed the independent accountant's report on applying agreed-upon procedures and agree with the exceptions noted. We will review our policies and procedures and update accordingly to include the best practices suggested by the Louisiana Legislative Auditor.

We were engaged by HIV/AIDS Alliance for Region Two, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of HIV/AIDS Alliance for Region Two, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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



Daigrepont & Brian, APAC
Baton Rouge, LA

June 28, 2023