

HEARTS OF HOPE
FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

| | <u>Page No.</u> |
|--|-----------------|
| INDEPENDENT AUDITOR'S REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4-5 |
| Statement of Functional Expenses 2017 | 6 |
| Statement of Functional Expenses 2016 | 7 |
| Statements of Cash Flows | 8 |
| Notes to the Financial Statements | 9-16 |
| SUPPLEMENTARY INFORMATION | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> Auditing Standards | 18-19 |
| Schedule of Findings and Questioned Costs | 20 |
| Schedule of Prior Year Findings | 21 |
| Management's Corrective Action Plan | 22 |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hearts of Hope
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts of Hope, as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted of 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 18, 2019, on our consideration of Hearts of Hope'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 Hearts of Hope's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 18, 2019

HEARTS OF HOPE

Statements of Financial Position
December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 247,959 | \$ 441,667 |
| Grant funds receivable | 97,300 | 98,018 |
| Other receivables | 29,261 | 18,134 |
| Prepaid expenses | <u>16,413</u> | <u>7,185</u> |
| Total current assets | <u>390,933</u> | <u>565,004</u> |
| PROPERTY AND EQUIPMENT | | |
| Building | 517,562 | 517,562 |
| Office equipment, furniture and fixtures | 68,371 | 68,371 |
| Leasehold improvements | 35,964 | 35,964 |
| Less: accumulated depreciation | <u>(146,088)</u> | <u>(130,329)</u> |
| Total property and equipment | <u>475,809</u> | <u>491,568</u> |
| OTHER ASSETS | | |
| Beneficial interest in assets held by others | <u>59,489</u> | <u>62,585</u> |
| TOTAL ASSETS | <u>\$ 926,231</u> | <u>\$ 1,119,157</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 3,729 | \$ 7,643 |
| Accrued payroll | 14,183 | 9,005 |
| Accrued compensated absences | 2,167 | 1,239 |
| Notes payable | <u>4,039</u> | <u>3,868</u> |
| Total current liabilities | <u>24,118</u> | <u>21,755</u> |
| TOTAL LIABILITIES | <u>24,118</u> | <u>21,755</u> |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Available for Operations | 366,815 | 543,249 |
| Designated for Endowment | 59,489 | 62,585 |
| Invested in property and equipment, net of related debt | <u>475,809</u> | <u>491,568</u> |
| Total net assets | <u>902,113</u> | <u>1,097,402</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 926,231</u> | <u>\$ 1,119,157</u> |

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statements of Activities

For the years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|-------------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| SUPPORT | | |
| Donations | \$ 61,414 | \$ 335,788 |
| United Way of Acadiana | 22,300 | 22,725 |
| Fundraisers | <u>54,367</u> | <u>46,797</u> |
| Total support | 138,081 | 405,310 |
| REVENUES | | |
| Service fees | 95,700 | 62,751 |
| Net investment return | (2,296) | 5,326 |
| Miscellaneous | <u>4,508</u> | <u>2,691</u> |
| Total support and revenues without donor restrictions | 235,993 | 476,078 |
| Net assets released from restrictions | <u>505,758</u> | <u>532,337</u> |
| TOTAL SUPPORT, REVENUES AND OTHER SUPPORT | | |
| WITHOUT DONOR RESTRICTIONS | <u>741,751</u> | <u>1,008,415</u> |
| EXPENSES | | |
| Program Activities | | |
| Children's Advocacy Center | 277,530 | 255,505 |
| Sexual Abuse Response Center | 302,414 | 275,920 |
| Sexual Assault Nurse Examiners | <u>170,558</u> | <u>174,641</u> |
| Total | 750,502 | 706,066 |
| Management and general expenses | <u>186,538</u> | <u>178,649</u> |
| Total expenses | <u>937,040</u> | <u>884,715</u> |
| Increase (decrease) in net assets without donor restrictions | <u>\$ (195,289)</u> | <u>\$ 123,700</u> |

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statements of Activities

For the years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|---------------------|
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| SUPPORT | | |
| Blue Cross Blue Shield Angels of Change | \$ - | \$ 1,000 |
| Children's Trust Fund | - | 3,044 |
| Combined Federal Campaign | - | 95 |
| Crime Victims Act | 354,585 | 375,812 |
| Enterprise Holdings Foundation | 3,500 | 3,500 |
| Grainger Foundation | - | 5,000 |
| LCG Grant- External Agency | 12,778 | 15,000 |
| Lourdes Foundation | - | 5,000 |
| National Children's Alliance | 6,977 | 14,737 |
| Rape Prevention Education | 53,823 | 33,306 |
| Sexual Assault Services Program | 45,554 | 40,295 |
| VAWA Grant | 27,741 | 28,948 |
| Woman's Foundation, Inc. | - | 5,000 |
| Zonta Club of Lafayette Foundation, Inc. | <u>800</u> | <u>1,600</u> |
| Total support | 505,758 | 532,337 |
| Net assets released from donor restrictions | <u>(505,758)</u> | <u>(532,337)</u> |
| Change in net assets with donor restrictions | <u>-</u> | <u>-</u> |
| INCREASE (DECREASE) IN NET ASSETS | (195,289) | 123,700 |
| NET ASSETS AT BEGINNING OF YEAR | <u>1,097,402</u> | <u>973,702</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 902,113</u> | <u>\$ 1,097,402</u> |

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statement of Functional Expenses
Year ended December 31, 2018

| | CAC PROGRAM ACTIVITIES | SARC PROGRAM ACTIVITIES | SANE PROGRAM ACTIVITIES | MANAGEMENT AND GENERAL | TOTAL |
|---|------------------------------|-------------------------------|-------------------------------|---------------------------|--------------------------|
| Salaries | \$ 138,290 | \$ 161,339 | \$ 69,145 | \$ 92,194 | \$ 460,968 |
| Employee benefits - | | | | | |
| Payroll taxes | 12,723 | 14,843 | 6,361 | 8,482 | 42,409 |
| Group insurance | 16,856 | 19,665 | 8,428 | 11,238 | 56,187 |
| Retirement | <u>1,583</u> | <u>500</u> | <u>-</u> | <u>-</u> | <u>2,083</u> |
| Total payroll and related expenses | 169,452 | 196,347 | 83,934 | 111,914 | 561,647 |
| Annual project/fundraising | 25,262 | 29,473 | - | - | 54,735 |
| Cleaning | - | - | - | 800 | 800 |
| Client services | 23,820 | 27,789 | - | - | 51,609 |
| Contract labor | 16,151 | - | 64,605 | - | 80,756 |
| Depreciation and amortization | 4,727 | 5,515 | 2,364 | 3,153 | 15,759 |
| Dues and fees | 1,557 | 1,816 | 778 | 1,038 | 5,189 |
| Education and professional development | 8,939 | 10,429 | 4,470 | 5,959 | 29,797 |
| Insurance | 6,232 | 7,271 | 3,116 | 4,155 | 20,774 |
| Interest | - | - | - | 428 | 428 |
| Legal and accounting | - | - | - | 19,755 | 19,755 |
| Meetings and receptions | 1,542 | 1,799 | 771 | 1,028 | 5,140 |
| Miscellaneous expense | 664 | 775 | 332 | 443 | 2,214 |
| Office expenses/supplies | 7,113 | 8,299 | 3,557 | 4,742 | 23,711 |
| Public relations | 1,013 | - | - | 675 | 1,688 |
| Rape kits and supplies | - | - | 1,101 | - | 1,101 |
| Rent/building maintenance | - | - | - | 13,654 | 13,654 |
| Taxes and licenses | - | - | - | 1,650 | 1,650 |
| Technology | 5,934 | 6,923 | 2,967 | 3,956 | 19,780 |
| Telephone | 1,369 | 1,597 | 685 | 913 | 4,564 |
| Travel | 3,576 | 4,172 | 1,788 | 2,385 | 11,921 |
| Utilities | - | - | - | 9,771 | 9,771 |
| Volunteer development | <u>179</u> | <u>209</u> | <u>90</u> | <u>119</u> | <u>597</u> |
| TOTAL EXPENSES | <u><u>\$ 277,530</u></u> | <u><u>\$ 302,414</u></u> | <u><u>\$ 170,558</u></u> | <u><u>\$ 186,538</u></u> | <u><u>\$ 937,040</u></u> |

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statement of Functional Expenses
Year ended December 31, 2017

| | CAC PROGRAM ACTIVITIES | SARC PROGRAM ACTIVITIES | SANE PROGRAM ACTIVITIES | MANAGEMENT AND GENERAL | TOTAL |
|---|------------------------------|-------------------------------|-------------------------------|---------------------------|--------------------------|
| Salaries | \$ 125,707 | \$ 146,658 | \$ 62,853 | \$ 83,805 | \$ 419,023 |
| Employee benefits - | | | | | |
| Payroll taxes | 9,476 | 11,055 | 4,738 | 6,316 | 31,585 |
| Group insurance | 16,771 | 19,566 | 8,385 | 11,180 | 55,902 |
| Retirement | 1,557 | 492 | - | - | 2,049 |
| Total payroll and related expenses | <u>153,511</u> | <u>177,771</u> | <u>75,976</u> | <u>101,301</u> | <u>508,559</u> |
| Annual project/fundraising | 20,436 | 23,843 | - | - | 44,279 |
| Cleaning | - | - | - | 5,200 | 5,200 |
| Client services | 23,210 | 27,079 | - | - | 50,289 |
| Contract labor | 15,112 | - | 60,448 | - | 75,560 |
| Depreciation and amortization | 4,832 | 5,637 | 2,416 | 3,221 | 16,106 |
| Dues and fees | 405 | 472 | 202 | 270 | 1,349 |
| Education and professional development | 6,432 | 7,504 | 3,216 | 4,289 | 21,441 |
| Foundation/board | - | - | - | 1,643 | 1,643 |
| Insurance | 4,757 | 5,550 | 2,378 | 3,171 | 15,856 |
| Interest | - | - | - | 369 | 369 |
| Legal and accounting | - | - | - | 12,725 | 12,725 |
| Meetings and receptions | 2,886 | 3,367 | 1,443 | 1,925 | 9,621 |
| Miscellaneous expense | 625 | 729 | 312 | 417 | 2,083 |
| Office expenses/supplies | 7,364 | 8,591 | 3,682 | 4,910 | 24,547 |
| Public relations | 2,755 | - | - | 1,837 | 4,592 |
| Rape kits and supplies | - | - | 17,978 | - | 17,978 |
| Rent/building maintenance | - | - | - | 16,804 | 16,804 |
| Taxes and licenses | - | - | - | 2,578 | 2,578 |
| Technology | 4,652 | 5,428 | 2,326 | 3,102 | 15,508 |
| Telephone | 1,387 | 1,618 | 694 | 925 | 4,624 |
| Travel | 6,838 | 7,978 | 3,419 | 4,558 | 22,793 |
| Utilities | - | - | - | 9,202 | 9,202 |
| Volunteer development | <u>303</u> | <u>353</u> | <u>151</u> | <u>202</u> | <u>1,009</u> |
| TOTAL EXPENSES | <u><u>\$ 255,505</u></u> | <u><u>\$ 275,920</u></u> | <u><u>\$ 174,641</u></u> | <u><u>\$ 178,649</u></u> | <u><u>\$ 884,715</u></u> |

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statements of Cash Flows
For the years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ (195,289) | \$ 123,700 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 15,759 | 15,758 |
| Amortization | - | 348 |
| Investment fees | 514 | 694 |
| Unrealized (gain)/loss on endowment funds | 4,062 | (4,360) |
| Earnings restricted for long-term endowment | (1,480) | (1,146) |
| Decrease (increase) in: | | |
| Receivables | (10,409) | 129,091 |
| Inventory | - | 10,085 |
| Prepaid expenses | (9,228) | 558 |
| Increase (decrease) in: | | |
| Accounts payable | (3,914) | (6,783) |
| Accrued liabilities | <u>6,106</u> | <u>3,564</u> |
| Total Adjustments | <u>1,410</u> | <u>147,809</u> |
| Net cash provided (used) by operating activities | <u>(193,879)</u> | <u>271,509</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in short-term debt | 171 | 273 |
| Principal payments on long term debt | <u>-</u> | <u>(55,913)</u> |
| Net cash used by financing activities | <u>171</u> | <u>(55,640)</u> |
| Net increase (decrease) in cash | (193,708) | 215,869 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>441,667</u> | <u>225,798</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 247,959</u> | <u>\$ 441,667</u> |

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hearts of Hope (the Organization) is a non-profit organization that is dedicated to providing help and healing for survivors of sexual trauma and violent crime, to providing help to lessen the trauma experienced by child victims when abuse allegations are investigated and throughout court proceedings and to conducting and documenting skillful forensic evidence collection with compassionate care when a patient makes a disclosure of sexual assault. Staff and volunteers maintain a 24-hour crisis line and provide escort services to the area hospitals.

Basis of Accounting

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets without Donor Restrictions – Net assets without donor restrictions are resources available to support operations and not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions – Net assets with donor restrictions are resources that are subject to donor-imposed or grantor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Revenue with and without Donor Restrictions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Contributions of property and equipment are reported as net assets with donor restrictions if the donor restricted the use of the property or equipment to a particular program, as are contributions of cash restricted to the purchase of property and equipment. Otherwise, donor restrictions on contributions of property and equipment or assets restricted for purchase of property and equipment are considered to expire when the assets are placed in service.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Donated Services

The Organization recognizes donated services that (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected on the statements for donated services because no objective basis is available to measure the value of such services.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore has no provision for federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. It is also exempt from Louisiana income tax. However, should the Organization engage in activities unrelated to its exempt purpose, taxable income could result. The Organization had no material unrelated business income for the fiscal year under audit.

Accounting Standards Codification 740 (ASC 740) requires that a tax position be recognized or derecognized based on a "more than not" threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Organization has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the requirements of ASC 740. Accordingly, implementation of ASC 740 did not have any impact on the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost for assets purchased and at fair value at the date of donation for contributed assets. Donations of property and equipment are recorded as support at their estimated fair market value and are reported as without donor restrictions unless the donor has restricted the donated assets for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense was \$15,759 and \$15,758 for the years ended December 31, 2018 and 2017, respectively.

The Organization is housed in a building located at 911 General Mouton owned by the Lafayette Consolidated Government. The Organization has use of the building at no cost and there is nothing in the financial statements to reflect the cost. No fair market value has been determined.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Sick time is accumulated as a single compensated absence. Eight hours are earned per month for all full-time employees (employees working 30 hours or more per week). Any unused accumulated balance can be carried forward to the following year. However, sick leave is forfeited upon leaving employment; accordingly, no liability has been recorded in the accompanying financial statements for sick time.

Vacation time is earned monthly based on length of service for all full-time employees. Any unused accumulated balance is forfeited at the end of each year. However, earned vacation time is paid-out upon termination of employment; accordingly, a liability has been recorded in the accompanying financial statements for vacation time. Accrued compensated absences as of December 31, 2018 and 2017 amounted to \$2,167 and \$1,239, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Change in Accounting Principle

FASB issued ASU No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities" in 2016. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14 during the fiscal year ended December 31, 2018. The adoption of ASU 2016-14 had no impact on the Organization's total net assets.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events were evaluated through June 18, 2019, which is the date the financial statements were available to be issued.

NOTE 2 RECLASSIFICATIONS

Certain 2017 amounts have been reclassified to conform with the 2018 financial statement presentation. Total net assets are unchanged due to these reclassifications.

NOTE 3 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use as of December 31, 2018 and 2017 :

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| <u>Financial assets at year end:</u> | | |
| Cash and cash equivalents | \$ 247,959 | \$ 441,667 |
| Grant funds receivable | 97,300 | 98,018 |
| Other receivables | 29,261 | 18,134 |
| Prepaid expenses | <u>16,413</u> | <u>7,185</u> |
| Total financial assets available to meet general expenditures over the next twelve months | <u>\$ 390,933</u> | <u>\$ 565,004</u> |

NOTE 4 ENDOWMENT FUND

In 2003, the Organization transferred \$10,000 to the Community Foundation of Acadiana, Inc. to open an endowment fund for the benefit of the Organization. The Foundation has limited variance power over the fund. In the event that a donor restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community, the Foundation may modify the restriction through the exercise of the variance power. Distribution from the Fund can be made solely for the support of the purposes of the Organization once the investment has reached \$1,000,000, as stipulated by the Organization's Board of Directors.

The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 4 ENDOWMENT FUND (CONTINUED)

The endowment investment is reflected in the financial statements as a Beneficial Interest in Assets Held by Others and Net Assets without Donor Restrictions – Designated for Endowment. Changes in the endowment fund net assets were as follows:

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| <u>Net Assets without Donor Restrictions:</u> | | |
| Board Designated - Temporary, Beginning | \$ 62,585 | \$ 57,773 |
| Investment income | 1,480 | 1,146 |
| Net appreciation (realized and unrealized) | <u>(4,576)</u> | <u>3,666</u> |
| Board Designated - Temporary, Ending | <u>\$ 59,489</u> | <u>\$ 62,585</u> |

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net Assets are released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors. For the years ended December 31, 2018 and 2017, \$506,272 and \$588,944 were released from restrictions, respectively.

NOTE 6 GRANT FUNDS RECEIVABLE

Grant funds receivable at December 31, are summarized as follows:

| | <u>2018</u> | | | |
|---------------------------|------------------|------------------|-----------------|------------------|
| | <u>CAC</u> | <u>SARC</u> | <u>Other</u> | <u>Total</u> |
| CVA Grant | \$ 68,222 | \$ - | \$ - | \$ 68,222 |
| Rape Prevention Education | - | 14,064 | - | 14,064 |
| SASP Grant | - | 4,238 | - | 4,238 |
| United Way of Acadiana | - | - | 5,575 | 5,575 |
| VAWA Grant | <u>-</u> | <u>5,201</u> | <u>-</u> | <u>5,201</u> |
| Total | <u>\$ 68,222</u> | <u>\$ 23,503</u> | <u>\$ 5,575</u> | <u>\$ 97,300</u> |

| | <u>2017</u> | | | |
|---------------------------|------------------|------------------|--------------|------------------|
| | <u>CAC</u> | <u>SARC</u> | <u>Other</u> | <u>Total</u> |
| CVA Grant | \$ 67,472 | \$ - | \$ - | \$ 67,472 |
| Rape Prevention Education | - | 11,808 | - | 11,808 |
| SASP Grant | - | 13,334 | - | 13,334 |
| VAWA Grant | <u>-</u> | <u>5,404</u> | <u>-</u> | <u>5,404</u> |
| Total | <u>\$ 67,472</u> | <u>\$ 30,546</u> | <u>\$ -</u> | <u>\$ 98,018</u> |

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 7 NOTES PAYABLE

| | 2018 | 2017 |
|---|----------|----------|
| Note payable to First Insurance Finance for financing insurance premiums, payable in ten monthly installments, bearing interest at a rate of 6.2%, matured March 4, 2018. | \$ - | \$ 3,868 |
| Note payable to First Insurance Finance for financing insurance premiums, payable in ten monthly installments, bearing interest at a rate of 7.9%, matured March 4, 2019. | 4,039 | - |
| | \$ 4,039 | \$ 3,868 |

NOTE 8 OPERATING LEASE OBLIGATIONS

The Organization entered into two long-term leases for digital copiers during fiscal year 2013. The agreement was renegotiated in December of 2015, to include a monthly base payment plus additional fees for imaging and servicing which may vary from month to month. These leases do not meet the criteria established for capitalized lease reporting; therefore, the leases are reflected as operating leases. Terms of these leases are as follows:

| | Monthly Base Payments | Number of Months | Date Lease Originated | Termination Date |
|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| Digital copiers (3) | \$ 697 | 60 | 12/17/2015 | 2/5/2019 |
| Digital copiers (3) | \$ 570 | 60 | 2/5/2019 | 2/5/2024 |

Future minimum payments by year and in the aggregate, under these operating leases consist of the following at December 31, 2018:

| Year Ending December 31, | |
|--------------------------|-----------|
| 2019 | \$ 6,967 |
| 2020 | 6,840 |
| 2021 | 6,840 |
| 2022 | 6,840 |
| 2023 | 6,840 |
| Totals | \$ 34,327 |

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 9 RETIREMENT PLAN

The Organization began offering its employees the opportunity to participate in a “Simple IRA” retirement plan in May 2000. All eligible employees who work full time or over 30 hours per week may contribute from one percent (1%) of their gross pay upward. The Organization matches their contribution at two percent (2%) of gross pay. The associated expenses for 2018 and 2017 were \$2,083 and \$2,049, respectively.

NOTE 10 CONCENTRATION OF CREDIT RISK

The majority of the Organization revenues and grants receivable are from sub grants of U.S. Department of Justice Grants through the Louisiana Commission on Law Enforcement and Administration of Criminal Justice. A change in this funding could substantially affect the operations of the Organization.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Organization has an unused portion of a line of credit in the amount of \$30,000 (collateralized by all deposit accounts and certificates of deposit now owned or acquired hereafter by Hearts of Hope) as of December 31, 2018.

NOTE 12 FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with one high quality financial institution. At times amounts may be in excess of FDIC insurance limits. As of December 31, 2018, the Organization’s cash balances were fully insured.

The fair values of the Organization’s financial instruments are as follows:

Cash and short-term investments – The carrying amount approximates fair value because of the short maturities of those investments.

Note payable – Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

NOTE 13 NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 14 COMPENSATION, BENEFITS AND OTHER PAYMENTS TO DIRECTOR

A detail of compensation, benefits, and other payments made to the Executive Director, Kim Young, for the years ended December 31, 2018 and 2017 are as follows:

| <u>Purpose</u> | <u>2018</u> | <u>2017</u> |
|-------------------------------------|------------------|------------------|
| Salary | \$ 71,000 | \$ 69,516 |
| Benefits - insurance and retirement | 11,001 | 6,294 |
| Cell phone | 500 | 600 |
| Travel | 243 | 458 |
| Reimbursements | - | 24 |
| Total | <u>\$ 82,745</u> | <u>\$ 76,892</u> |

SUPPLEMENTARY INFORMATION



OTHER LOCATIONS:

Eunice Morgan City Abbeville

INDEPENDENT AUDITOR'S 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
Hearts of Hope
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hearts of Hope (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, and have issued our report thereon dated June 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hearts of Hope'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 Hearts of Hope's internal control. Accordingly, we do not express an opinion on the effectiveness of Hearts of Hope'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See item 2018-001.

Compliance and Other Matters

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

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document, therefore its distribution is not limited.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 18, 2019

HEARTS OF HOPE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

We have audited the financial statements of Hearts of Hope as of and for the year ended December 31, 2018, and have issued our report thereon dated June 18, 2019. We conducted our audit in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. Our audit of the financial statements of December 31, 2018 resulted in an unmodified opinion.

Section I. Summary of Auditors' Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements.

Internal Control

Significant Deficiencies Yes No

Material Weaknesses Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II. Financial Statement Findings

2018-001 Inadequate Controls over Financial Statement Preparation

Condition: Hearts of Hope does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.

Criteria: Senior management of an Organization should possess suitable skill, knowledge and experience to apply generally accepted accounting principles (GAAP) to the preparation of financial statements.

Cause: Senior management has not received the proper training in the application of generally accepted accounting principles (GAAP).

Effect: The Organization risks noncompliance and financial statement misstatements by not having properly trained staff.

Recommendation:

Hearts of Hope should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, to determine if it is in the best interest of the organization to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

Section III. Federal Award Findings and Questioned Costs

Not Applicable.

HEARTS OF HOPE

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I. Internal Control and Compliance Material to the Financial Statements

2017-001 Inadequate Controls over Financial Statement Preparation

Finding:

Hearts of Hope does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.

Follow Up:

Unresolved – See current year finding 2018-001.

Section II. Internal Control and Compliance Material to Federal Awards

Not Applicable; no prior year findings

Section III. Management Letter

Not Applicable

HEARTS OF HOPE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

Hearts of Hope respectfully submits the following corrective action plan for the year ended December 31, 2018.

The findings from the December 31, 2018 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding No. 2018-001

Recommendation: Hearts of Hope should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the organization to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

Action Taken: Hearts of Hope has evaluated the cost vs. benefit and has determined that outsourcing the preparation of the financial statements to the independent auditors is in the best interest of the organization at this time and will carefully review and approve the draft financial and related footnotes prior to issuance.



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
Hearts of Hope
Lafayette, Louisiana

We have performed the procedures enumerated below, which were agreed to by Hearts of Hope (a nonprofit organization), 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 Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures 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
Written policies and procedures were obtained and address the functions noted above.
 - 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.
Written policies and procedures were obtained and address the functions noted above.
 - c) ***Disbursements***, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above.
 - d) ***Receipts***, including receiving, recording, and preparing deposits
Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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

Written policies and procedures were obtained and address the functions noted above.

- 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, and (5) monitoring card usage

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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. Note: Ethics requirements are not applicable to nonprofits.

The entity is a nonprofit; therefore, this item is not applicable.

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

The entity is a nonprofit; therefore, this item is not applicable.

Board (or Finance Committee, if applicable)

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year

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.

Obtained listing of client bank accounts from management and management's representation that listing is complete.

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).

Obtained bank statements and reconciliations noting that reconciliations have been prepared within 2 months.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

Obtained bank statements and reconciliations for the selected month in the fiscal period noting evidence of board member review.

- 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.

Obtained bank statements and reconciliations for the selected month in the fiscal period noting no documentation by management of research for items that have been outstanding for more than 12 months.

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).

Obtained listing of cash collection locations and management's representation that listing is complete.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 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.

Written documentation was obtained and address the functions noted above.

- 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.

Written documentation was obtained and address the functions noted above.

- 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.

Written documentation was obtained and address the functions noted above.

- 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.

Written documentation was obtained and address the functions noted above.

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

Employees that are responsible for collecting cash are not bonded.

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.

No exceptions were noted.

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

No exceptions were noted.

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

No exceptions were noted.

- 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).

Deposits were not made within one business day.

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

No exceptions were noted.

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).

Listing of disbursements and management's representation that the listing is complete was obtained.

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.

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

- 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.

No exception noted.

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

There was no evidence of segregation of duties noted.

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

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

Travel and Expense Reimbursement

- 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).

No exceptions noted.

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

No exceptions noted.

- 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).

One of the five reimbursements selected did not have supporting documentation for the business/public purpose.

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

Two of the five reimbursements selected did not have approval by someone other than the person receiving the reimbursement.

Contracts

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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.

Listing of employees with their related salaries and management's representation that the listing is complete was obtained and salaries agreed to contracts.

- 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.)

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

- 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.

No exceptions noted.

- 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.

Management's representation that all forms were paid and filed by the required deadlines was obtained.

Ethics (excluding nonprofits)

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 entity is a nonprofit, therefore; this is 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 entity is a nonprofit, therefore; this is not applicable.

Debt Service (excluding nonprofits)

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 entity is a nonprofit, therefore; this is 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.
The entity is a nonprofit, therefore; this is not applicable.

Other

No exceptions were noted during the fiscal year ended December 31, 2017 AUP engagement; therefore, this section was excluded from testing this fiscal year.

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

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

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

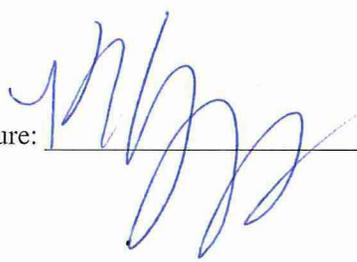
Lafayette, Louisiana
June 18, 2019



June 26, 2019

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants
2000 Kaliste Saloom Road, Suite 300
Lafayette, LA 70508

- 3. c) Hearts of Hope will attach documentation of researched items that have been outstanding for more than 12 months to bank statements.
- 7. d) It is not Hearts of Hope's policy to make daily deposits. Hearts of Hope's policy is to deposit within 5 business days of receipt of payment.
- 6. a) Hearts of Hope takes in little to no cash. It is not cost efficient to obtain bonding insurance.
- 10. b) Hearts of Hope will attach approved purchase orders showing segregation of duties to the disbursement documentation.
- 14. c) Reimbursements will have supporting documentation attached showing business/public purpose.
- d) Approval process is in place and will be verified before disbursement.

Signature:  Date: 6/26/2019 Title: Executive Director

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www.theheartsofhope.org



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