

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

**COMBINED FINANCIAL STATEMENTS AND
AUDITOR'S REPORT**

September 30, 2018

ADVOCACY CENTER AND EIGHTH MUSE, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
COMBINED STATEMENT OF FINANCIAL POSITION	5
COMBINED STATEMENT OF ACTIVITIES	6
COMBINED STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTAL INFORMATION	
COMBINED STATEMENT OF ACTIVITIES - ADVOCACY CENTER AND EIGHTH MUSE, INC.	18
STATEMENT OF ACTIVITIES BY PROGRAM – ADVOCACY CENTER	19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - ADVOCACY CENTER	24
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER	27
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 <u>GOVERNMENT AUDITING STANDARDS</u>	28
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32

Justin J. Scanlan, C.P.A., F.T.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Advocacy Center and Eighth Muse, Inc.

Report on the Financial Statements

We have audited the accompanying combined financial statements of Advocacy Center and Eighth Muse, Inc. (non-profit organizations), which comprise the combined statement of the financial position as of September 30, 2018, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 audit. 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. 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Advocacy Center and Eighth Muse, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Advocacy Center and Eighth Muse, Inc.'s 2017 financial statements, and our report dated March 29, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial combined statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statement 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 combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019, on our consideration of Advocacy Center and Eighth Muse, 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 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 Advocacy Center and Eighth Muse, Inc.'s internal control over financial reporting and compliance.

Justin J. Scanlon, CPA, LLC

New Orleans, Louisiana
February 14, 2019

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

COMBINED STATEMENT OF FINANCIAL POSITION

September 30, 2018

ASSETS

		SUMMARIZED COMPARATIVE INFORMATION SEPTEMBER 30, 2017
Cash	\$ 888,761	\$ 558,388
Investment securities (Note A4 and B)	360,127	904,105
Receivables		
Grants (Notes A5 and C)	240,982	647,264
Pledges	-	7,934
Other	-	42,997
	<u>240,982</u>	<u>698,195</u>
Prepaid expenses and deposits	9,699	43,124
Property, furniture and equipment - at cost (Notes A7 and D)	<u>1,160,349</u>	<u>1,209,091</u>
Total assets	<u>\$ 2,659,918</u>	<u>\$ 3,412,903</u>

LIABILITIES AND NET ASSETS

Notes payable (Note E)	\$ 924,251	\$ 963,562
Accounts payable and accrued liabilities	135,460	141,518
Accrued vested annual leave benefits	<u>69,636</u>	<u>71,820</u>
Total liabilities	<u>1,129,347</u>	<u>1,176,900</u>
Commitments (Note F)		
Net assets		
Unrestricted	741,639	1,332,425
Temporarily restricted (Note G)	<u>788,932</u>	<u>903,578</u>
Total assets	<u>\$ 1,530,571</u>	<u>\$ 2,236,003</u>
Total liabilities and net assets	<u>\$ 2,659,918</u>	<u>\$ 3,412,903</u>

The accompanying notes are an integral part of this financial statement.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

COMBINED STATEMENT OF ACTIVITIES

For the year ended September 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>SUMMARIZED COMPARATIVE INFORMATION For the year ended September 30, 2017</u>
REVENUE				
Grant appropriations	\$ -	\$ 3,232,690	\$ 3,232,690	\$ 3,242,745
Investment income (Note B)	5,218	4,459	9,677	13,658
Contributions	10,832	-	10,832	42,562
Attorney fees	-	200,550	200,550	79,608
Other	2,708	-	2,708	264,163
Net assets released from restrictions	<u>3,552,345</u>	<u>< 3,552,345 ></u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,571,103</u>	<u>< 114,646 ></u>	<u>3,456,457</u>	<u>3,642,736</u>
EXPENSES				
Salaries	2,501,038	-	2,501,038	2,466,082
Fringe benefits	540,182	-	540,182	521,159
Travel	78,166	-	78,166	140,399
Operating services	303,770	-	303,770	291,285
Contractual services	371,374	-	371,374	244,482
Operating supplies	64,872	-	64,872	76,028
Other costs	245,691	-	245,691	139,451
Equipment expenses	<u>56,796</u>	<u>-</u>	<u>56,796</u>	<u>47,196</u>
Total expenses	<u>4,161,889</u>	<u>-</u>	<u>4,161,889</u>	<u>3,926,082</u>
Increase <decrease> in net assets	< 590,786 >	< 114,646 >	< 705,432 >	< 283,346 >
Net assets, beginning of year	<u>1,332,425</u>	<u>903,578</u>	<u>2,236,003</u>	<u>2,519,349</u>
Net assets, end of year	<u>\$ 741,639</u>	<u>\$ 788,932</u>	<u>\$ 1,530,571</u>	<u>\$ 2,236,003</u>

The accompanying notes are an integral part of this financial statement.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

COMBINED STATEMENT OF CASH FLOWS

For the year ended September 30, 2018

**SUMMARIZED
COMPARATIVE
INFORMATION
For the year ended
September 30, 2017**

Cash flows from operating activities:		
Increase <decrease> in net assets	\$ < 705,432>	\$ < 283,346>
Adjustments to reconcile decrease in net assets to net cash provided by <used in> operating activities:		
Depreciation	48,742	38,623
Unrealized <appreciation> depreciation of investments	6,999	4,827
Allowance for doubtful accounts	-	< 1,650>
<Gain> loss on sale of securities	2,770	317
Changes in assets and liabilities:		
<Increase> decrease in grants receivable	406,282	< 303,320>
<Increase> decrease in pledge receivables	7,934	19,500
<Increase> decrease in other receivable	42,997	414,620
<Increase> decrease in prepaid expenses and deposits	33,425	< 9,998>
Increase <decrease> in accounts payable and accrued liabilities	< 6,058>	25,869
Increase <decrease> in accrued vested annual leave benefits	<u>< 2,184></u>	<u>< 9,321></u>
Net cash provided by <used in> operating activities	<u>< 164,525></u>	<u>< 103,879></u>
Cash flows from investing activities:		
Proceeds from liquidation of certificates of deposit	549,437	110,408
Purchase of certificates of deposit	<u>< 15,228></u>	<u>< 16,156></u>
Net cash provided by <used in> investing activities	<u>534,209</u>	<u>94,252</u>
Cash flows from financing activities:		
Payments of notes payable	<u>< 39,311></u>	<u>< 38,549></u>
Net cash provided by <used in> financing activities	<u>< 39,311></u>	<u>< 38,549></u>
Net increase <decrease> in cash and cash equivalent	330,373	< 48,176>
Cash and cash equivalents, beginning of year	<u>558,388</u>	<u>606,564</u>
Cash and cash equivalents, end of year	<u>\$ 888,761</u>	<u>\$ 558,388</u>
Cash flow information:		
Interest paid:	<u>\$ 48,112</u>	<u>\$ 47,855</u>

The accompanying notes are an integral part of this financial statement.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

The Advocacy Center was organized to protect and advocate for the human and legal rights of persons living in Louisiana who are elderly or disabled.

Eighth Muse, Inc. is a non-profit corporation organized under the laws of the State of Louisiana. The corporation was formed as a real estate holding company. Its primary purpose is the leasing of a commercial building that serves as the administrative and program offices of the Advocacy Center in New Orleans, Louisiana.

Advocacy Center's major program consists of advocacy and protection for individuals with developmental disabilities.

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958. Accordingly, the net assets of the corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

The net assets and changes therein are classified as follows:

Unrestricted Net Assets - Contributions and other revenue and expenses for the general operation of its programs.

Temporarily Restricted Net Assets - Contributions and other revenues specifically authorized by the donor or grantor to be used for specific purposes.

Permanently Restricted Net Assets - Contributions subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Corporation pursuant to those stipulations. There were no permanently restricted net assets.

The combined financial statements include the accounts of Advocacy Center and Eighth Muse, Inc. They are affiliated by virtue of common control. All significant intercompany transactions have been elemented in combination.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Revenue Recognition

For financial reporting the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Grant revenue is earned in accordance with approved contracts.

4. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

5. Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

6. Promises to Give

Contributions are recognized when the donor makes a promise to give to the corporation that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All promises to give are recognized as assets, less an allowance for uncollected amounts, and revenues.

7. Property, Furniture and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line-method. Depreciation expense for the year ended September 30, 2018 totaled \$48,742.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all highly liquid investments in money market funds and demand deposits to be cash equivalents.

9. 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 these estimates.

10. Fair Values of Financial Investments

Cash, cash equivalents, and temporary investments carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments. The fair values of marketable securities are based on quoted market prices for those or similar investments.

11. Functional Allocation of Expenses

The expense of providing the program and other activities have been summarized on a functional basis in Note M. Certain of those expenses have been allocated among the program and supporting services based on estimates by management of the costs involved.

12. Subsequent Events

The subsequent events of the organization were evaluated through the date the financial statements were available to be issued (February 14, 2019).

13. Summarized Comparative Information

Summarized comparative information is presented only to assist with financial analysis. Data in these columns do not present financial position or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE B - INVESTMENT SECURITIES

Investment securities at September 30, 2018, consist of the following:

	<u>Cost</u>	<u>Fair Market Value</u>
Money market accounts - brokerage account	\$ 420	\$ 420
Certificates of Deposit	<u>369,324</u>	<u>359,707</u>
	<u>\$ 369,744</u>	<u>\$ 360,127</u>

The unrealized depreciation for the year ended September 30, 2018 totaled \$6,999 and the depreciation as of September 30, 2018 totaled \$9,617.

Investment income for the year consists of the following:

Interest income	\$ 19,446
Unrealized depreciation	< 6,999 >
Loss on sale of securities	< 2,770 >
	<u>\$ 9,677</u>

NOTE C - GRANTS RECEIVABLE

Grants receivable at September 30, 2018 consist of the following:

U. S. Department of Health and Human Services	\$ 18,743
State of Louisiana – Governor’s Office of Elderly Affairs	17,798
Social Security Administration	34,565
State of Louisiana – Department of Justice	37,245
City of New Orleans	131,155
Louisiana Bar Foundation	203
New Orleans Council on Aging, Inc.	<u>1,273</u>
	<u>\$ 240,982</u>

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE D - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment at September 30, 2018 consist of the following:

Building	\$	530,617
Building improvements		<u>434,951</u>
		965,568
Less accumulated depreciation		<u>< 270,219 ></u>
		695,349
Land		<u>465,000</u>
		<u>\$ 1,160,349</u>

NOTE E - NOTES PAYABLE

Notes payable at September 30, 2018 consist of the following:

Note payable to a loan corporation, due in monthly installments of \$1,849, which includes a fixed interest rate of 4%. The loan matures March, 2022 with a balloon payment of approximately \$100,411.	\$ 159,677
Note payable to a financial institution, due in monthly installments of \$6,171, which includes a fixed interest rate of 5.25%. The loan matures February, 2037.	764,574
A \$250,000 revolving line-of-credit with a financial institution expires August 29, 2019. There was no outstanding balance at September 30, 2018.	<u>-0-</u>
	<u>\$ 924,251</u>

The interest expense relative to the notes payable totaled \$48,112 for the year ended September 30, 2018.

The aggregate maturities of the notes payable following the year ended September 30, 2018 are as follows:

<u>Year ending September 30</u>		
2019	\$	44,232
2020		46,950
2021		49,201
2022		143,032
2023		35,857
Thereafter		<u>604,979</u>
		<u>\$ 924,251</u>

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE F - COMMITMENTS

The corporation leases office space for its administrative office and two branch locations in Lafayette, Baton Rouge and New Orleans. The Lafayette lease is under a noncancellable operating lease expiring January, 2021. The Baton Rouge lease is on a month-to-month basis. The administrative office in New Orleans was leased from Eighth Muse, Inc. and the rental income/expense totaling \$182,466 was eliminated for financial statement presentation.

Future minimum lease payments are as follows:

Year ending September 30,	
2019	\$ 29,015
2020	29,015
2021	<u>10,810</u>
	<u>\$ 68,840</u>

The rental expense for the year ended September 30, 2018 totaled \$42,681.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

As of September 30, 2018, temporarily restricted net assets consist of the following:

Protection and Advocacy for the Developmentally Disabled	\$ 408,360
New Orleans Council on Aging, Inc.	37,421
Protection and Advocacy for Individuals with Mental Illness	228,273
Social Security Administration	40,303
State of Louisiana - Department of State Election Division	1,521
National Disability Rights Network	31,133
Community Living Ombudsman Program	20,749
Louisiana Bar Foundation - Children's Legal Services	2,777
TBI Protection and Advocacy	13,115
Governor's Office of Elderly Affairs – Ombudsman Legal Assistance Program	<u>5,280</u>
	<u>\$ 788,932</u>

NOTE H - RETIREMENT PLAN

The Advocacy Center sponsors a 401(K) plan covering all employees twenty-one years or older who have completed 500 hours of service. Employees are 100% vested after three years of service from date of hire. The corporation decides the amount, if any, to contribute each year to the individual retirement accounts for the eligible employees based on a percentage of annual compensation. The employer's contribution rate remained unchanged from the prior year. The percentage, determined by the Board of Directors, was 3% or \$76,570 for the year ended September 30, 2018.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE I – RELATED PARTY TRANSACTIONS

The Advocacy Center leases its administrative and program offices from Eighth Muse, Inc. in New Orleans, Louisiana. The rental expense for the year ended September 30, 2018 totaled \$182,466, which was eliminated for financial statement presentation.

NOTE J – INCOME TAXES

The Advocacy Center is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

Eighth Muse, Inc. is exempt from corporate income taxes under Section 501(c)(2) of the Internal Revenue Code.

Under FASB ASC 740, Income Taxes, requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. Management does not believe its combined financial statements include any uncertain tax positions.

NOTE K - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE L - FUNCTIONAL EXPENSES

The functional expenses for the year ended September 30, 2018 consist of the following:

	<u>Management and General</u>	<u>Fund Raising</u>	<u>Advocacy for persons with disabilities and senior citizens</u>	<u>Total</u>
Salaries	\$ 197,219	\$ 2,917	\$ 2,300,902	\$ 2,501,038
Fringe benefits	20,960	583	518,639	540,182
Travel	2,707	-	75,459	78,166
Operating services	91,693	2,752	209,325	303,770
Contractual services	51,747	-	219,627	371,374
Operating supplies	2,113	612	62,147	64,872
Other costs	152,228	-	93,463	245,691
Equipment expenses	51,028	-	5,768	56,796
	<u>\$ 569,695</u>	<u>\$ 6,864</u>	<u>\$ 3,485,330</u>	<u>\$ 4,161,889</u>

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE M – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 820-10 requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair value. Financial instruments within the scope of FASB ASC 820-10 are included in the table below.

		<u>Fair Value Measurement of Reporting Date</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts – brokerage accounts	\$ 420	\$ 420	\$ -	\$ -
Certificates of deposit	<u>359,707</u>	<u>359,707</u>	<u>-</u>	<u>-</u>
	<u>\$ 360,127</u>	<u>\$ 360,127</u>	<u>\$ -</u>	<u>\$ -</u>

The assumptions to estimate fair values are as follows:

1. Money market accounts and certificates of deposit carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of the instruments.

NOTE N - FEDERALLY ASSISTED PROGRAMS

The Advocacy Center participates in a number of federally assisted programs. These programs are audited in accordance with the Single Audit Act. Audits of prior years have not resulted in any disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, the corporation's management believes that further examinations would not result in any significant disallowed costs.

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2018

NOTE O – CONCENTRATION OF CREDIT RISK

As of September 30, 2018, the unsecured cash balances consist of the following:

Bank Balance, including outstanding checks		\$ 964,552
Less: FDIC insurance	\$ 307,371	
Pledged securities	<u>489,181</u>	<u>796,552</u>
Unsecured cash balance		<u>\$ 168,000</u>

Approximately 35% of the grant revenue comes directly from U. S. Department of Health and Human Services.

NOTE P - ECONOMIC DEPENDENCY

The Corporation received the majority of its revenue from funds provided through grants administered by the federal government and the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the corporation will receive in the next fiscal year.

The corporation is supported primarily through government grants. Approximately 98% of the corporation's support for the year ended September 30, 2018 came from government grants.

SUPPLEMENTAL INFORMATION

**ADVOCACY CENTER
AND
EIGHTH MUSE, INC.**

**COMBINED STATEMENT OF ACTIVITIES – ADVOCACY CENTER AND
EIGHTH MUSE, INC.**

For the year ended September 30, 2018

	<u>ADVOCACY CENTER</u>	<u>EIGHTH MUSE, INC.</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
REVENUES				
Grant appropriations	\$ 3,232,690	\$ -	\$ -	\$ 3,232,690
Other income	<u>223,767</u>	<u>182,466</u>	<u>< 182,466 ></u>	<u>223,767</u>
	<u>3,456,457</u>	<u>182,466</u>	<u>< 182,466 ></u>	<u>3,456,457</u>
EXPENSES				
Salaries	2,501,038	-	-	2,501,038
Fringe benefits	540,182	-	-	540,182
Travel	78,166	-	-	78,166
Operating services	419,039	67,197	<182,466>	303,770
Contractual services	370,363	1,011	-	371,374
Operating supplies	64,854	18	-	64,872
Other costs	197,549	48,142	-	245,691
Equipment expenses	<u>7,504</u>	<u>49,292</u>	-	<u>56,796</u>
	<u>4,178,695</u>	<u>165,660</u>	<u>< 182,466 ></u>	<u>4,161,889</u>
Increase <decrease> in net assets	< 722,238 >	16,806	-	< 705,432 >
Net assets, beginning of year	<u>2,201,682</u>	<u>34,321</u>	-	<u>2,236,003</u>
Net assets, end of year	<u>\$ 1,479,444</u>	<u>\$ 51,127</u>	<u>\$ -</u>	<u>\$ 1,530,571</u>

NOTE:

Intercompany rental income and expense was eliminated for financial statement presentation.

ADVOCACY CENTER
STATEMENT OF ACTIVITIES BY PROGRAM

For the year ended September 30, 2018

	PROTECTION AND ADVOCACY FOR THE DEVELOPMENTALLY DISABLED	CLIENT ASSISTANCE PROGRAM	PROTECTION AND ADVOCACY FOR INDIVIDUALS WITH MENTAL ILLNESS	U.S. DEPART. OF EDUCATION PROTECTION AND ADVOCACY OF INDIVIDUAL RIGHTS	PROTECTION AND ADVOCACY FOR THE ASSISTIVE TECHNOLOGY
REVENUES					
Grant appropriations	\$ 542,909	\$ 209,358	\$ 432,838	\$ 211,974	\$ 56,571
Other income	<u>203,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>745,986</u>	<u>209,358</u>	<u>432,838</u>	<u>211,974</u>	<u>56,571</u>
EXPENSES					
Salaries	407,929	143,057	289,496	170,749	39,200
Fringe benefits	82,481	30,972	56,222	35,678	6,681
Travel	5,892	1,720	10,036	3,917	178
Operating services	61,387	32,147	41,584	29,510	5,253
Contractual services	78,076	12,543	33,422	27,005	13,093
Operating supplies	11,456	4,469	6,722	3,628	2,703
Other costs	9,566	8,210	18,658	3,886	1,315
Equipment expenses	1,381	533	956	589	133
	<u>658,168</u>	<u>233,651</u>	<u>457,096</u>	<u>274,962</u>	<u>68,556</u>
Increase <decrease> in net assets	87,818	<24,293>	<24,258>	<62,988>	<11,985>
Transfer to/from general	-	24,293	-	62,988	10,320
Net assets, beginning of year	<u>320,542</u>	<u>-</u>	<u>252,531</u>	<u>-</u>	<u>1,665</u>
Net assets, end of year	<u>\$ 408,360</u>	<u>\$ -</u>	<u>\$ 228,273</u>	<u>\$ -</u>	<u>\$ -</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM CONTINUED

For the year ended September 30, 2018

	LOUISIANA WORK INCENTIVE PLANNING AND ASSISTANCE PROJECT	T B I PROTECTION AND ADVOCACY	HELP AMERICA VOTE ACT	SOCIAL SECURITY ADMINISTRATION	STATE OF LOUISIANA DEPARTMENT OF STATE ELECTION DIVISIONS
REVENUES					
Grant appropriations	\$ 212,772	\$ 80,999	\$ 84,477	170,242	\$ 148
Other income	-	-	-	-	-
	<u>212,772</u>	<u>80,999</u>	<u>84,477</u>	<u>170,242</u>	<u>148</u>
EXPENSES					
Salaries	126,906	35,891	51,657	119,696	-
Fringe benefits	29,022	7,123	8,204	18,460	-
Travel	6,991	209	2,425	1,368	-
Operating services	22,052	5,286	7,579	13,691	-
Contractual services	22,928	17,419	3,793	7,540	-
Operating supplies	6,234	1,062	703	2,566	-
Other costs	4,123	768	4,678	6,603	148
Equipment expenses	132	126	158	318	-
	<u>218,388</u>	<u>67,884</u>	<u>79,197</u>	<u>170,242</u>	<u>148</u>
Increase <decrease> in net assets	< 5,616 >	13,115	5,280	-	-
Transfer to/from general	5,616	-	-	-	-
Net assets, beginning of year	-	-	-	40,303	1,521
Net assets, end of year	<u>\$ -</u>	<u>\$ 13,115</u>	<u>\$ 5,280</u>	<u>\$ 40,303</u>	<u>\$ 1,521</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM - CONTINUED

For the year ended September 30, 2018

	<u>NATIONAL DISABILITY RIGHTS NETWORK</u>	<u>COMMUNITY LIVING OMBUDSMAN PROGRAM</u>	<u>GOVERNOR'S OFFICE OF ELDERLY AFFAIRS - OMBUDSMAN LEGAL ASSISTANCE PROGRAM</u>	<u>NEW ORLEANS COUNCIL ON AGING, INC.</u>	<u>CITY OF NEW ORLEANS AGING IN PLACE</u>
REVENUES					
Grant appropriations	\$ -	\$ 673,461	\$ 71,191	\$ 18,905	\$ 72,264
Other income	-	-	-	-	-
	<u>-</u>	<u>673,461</u>	<u>71,191</u>	<u>18,905</u>	<u>72,264</u>
EXPENSES					
Salaries	-	520,694	59,913	8,919	46,530
Fringe benefits	-	138,808	15,560	1,538	7,985
Travel	-	30,967	1,137	46	538
Operating services	-	97,600	11,727	1,384	9,490
Contractual services	-	50,829	7,420	553	5,033
Operating supplies	-	12,138	1,697	1,650	1,564
Other costs	-	15,499	930	307	964
Equipment expenses	-	2,220	217	28	160
	<u>-</u>	<u>868,755</u>	<u>98,601</u>	<u>14,425</u>	<u>72,264</u>
Increase <decrease> in net assets	-	<195,294>	<27,410>	4,480	-
Transfer to/from general	-	-	23,201	-	-
Net assets, beginning of year	<u>31,133</u>	<u>216,043</u>	<u>4,209</u>	<u>32,941</u>	<u>-</u>
Net assets, end of year	<u>\$ 31,133</u>	<u>\$ 20,749</u>	<u>\$ -</u>	<u>\$ 37,421</u>	<u>\$ -</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM – CONTINUED

For the year ended September 30, 2018

	LOUISIANA DEPARTMENT OF JUSTICE SILAP	CITY OF NEW ORLEANS HOUSING ASSISTANCE PLUS PROGRAM	GILLIS W. LONG POVERTY LAW CENTER	P & A BENEFICIARIES WITH REPRESENTATIVE PAYEES
REVENUES				
Grant appropriations	\$ 153,864	\$ 138,897	\$ 24,200	\$ 37,119
Other income	-	-	915	-
	<u>153,864</u>	<u>138,897</u>	<u>25,115</u>	<u>37,119</u>
EXPENSES				
Salaries	97,733	81,588	24,557	19,777
Fringe benefits	28,460	30,806	2,532	2,588
Travel	5,884	1,380	427	1,290
Operating services	22,891	15,876	6,869	4,157
Contractual services	5,822	4,633	4,185	561
Operating supplies	868	3,094	535	7,050
Other costs	8,810	1,520	<1,288>	1,696
Equipment expenses	253	-	198	-
	<u>170,721</u>	<u>138,897</u>	<u>38,015</u>	<u>37,119</u>
Increase <decrease> in net assets	<16,857>	-	< 12,900>	-
Transfer to/from general	16,695	-	12,900	-
Net assets, beginning of year	<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ADVOCACY CENTER

STATEMENT OF ACTIVITIES BY PROGRAM - CONTINUED

For the year ended September 30, 2018

	LOUISIANA BAR FOUNDATION OTHER LEGAL SERVICES	LOUISIANA BAR FOUNDATION CHILDREN'S LEGAL SERVICES	GENERAL	TOTAL
REVENUES				
Grant appropriations	\$ 16,311	\$ 21,328	\$ 2,862	\$ 3,232,690
Other income	-	-	<u>19,775</u>	<u>223,767</u>
	<u>16,311</u>	<u>21,328</u>	<u>22,637</u>	<u>3,456,457</u>
EXPENSES				
Salaries	19,568	13,978	223,200	2,501,038
Fringe benefits	5,726	3,533	27,803	540,182
Travel	154	54	3,553	78,166
Operating services	<4,275>	1,890	32,941	419,039
Contractual services	1,773	732	73,003	370,363
Operating supplies	288	491	<4,064>	64,854
Other costs	<6,981>	357	117,780	197,549
Equipment expenses	<u>58</u>	<u>44</u>	<u>-</u>	<u>7,504</u>
	<u>16,311</u>	<u>21,079</u>	<u>474,216</u>	<u>4,178,695</u>
Increase <decrease> in net assets	-	249	<451,579>	< 722,238>
Transfer to/from general	-	-	< 156,013>	-
Net assets, beginning of year	<u>-</u>	<u>2,528</u>	<u>1,298,104</u>	<u>2,201,682</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 2,777</u>	<u>\$ 690,512</u>	<u>\$ 1,479,444</u>

ADVOCACY CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>PASS THROUGH GRANTOR CONTRACT #</u>	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct programs:				
Protection and Advocacy for the Developmentally Disabled	-	10/01/17-09/30/19	93.630	\$ 658,168
Protection and Advocacy for Individuals with Mental Illness	-	10/01/17-09/30/19	93.138	457,096
Protection and Advocacy: Traumatic Brain Injury	-	10/01/17-09/30/19	93.873	67,884
Help America Vote Act	-	10/01/17-09/30/22	93.618	79,197
Protection and Advocacy: Assistance Technology	-	04/01/17-09/30/19	93.843	<u>58,236</u>
Subtotal Department of Health and Human Services direct programs				<u>1,320,581</u>
Pass through programs from:				
Louisiana Governor's Office of Elderly Affairs:				
Ombudsman Legal Assistance Program	2000331225	07/01/18-06/30/19	93.044	17,798
Ombudsman Legal Assistance Program	4400011336	07/01/17-06/30/18	93.044	57,602
New Orleans Council on Aging, Inc.				
Title III B Supportive Services	-	07/01/17-06/30/19	93.044	14,425
Louisiana Department of Health and Hospital:				
SILAP Program	2000294576	07/01/17-06/30/18	93.630	116,781
SILAP Program	2000387014	07/01/18-06/30/19	93.630	<u>37,245</u>
Subtotal Department of Health and Human Services pass-through programs				<u>243,851</u>
Total U. S. Department of Health and Human Services				<u>1,564,432</u>
U. S. DEPARTMENT OF EDUCATION				
Direct Programs:				
Client Assistance Program (CAP)	-	10/01/17-09/30/18	84.161A	209,358
Protection and Advocacy of Individual Rights (PAIR)	-	10/01/17-09/30/18	84.240A	<u>211,974</u>
Total U. S. Department of Education				<u>421,332</u>

ADVOCACY CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended September 30, 2018

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>PASS THROUGH GRANTOR CONTRACT #</u>	<u>GRANT PERIOD</u>	<u>FEDERAL CFDA NUMBER</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
SOCIAL SECURITY ADMINISTRATION				
Direct Programs:				
Protection and Advocacy for Beneficiaries of Social Security (PABSS)		10/01/12-09/30/19	96.009	\$ 170,242
South Louisiana Benefits Planning Program (SLBPP)		07/01/17-06/30/19	96.008	212,772
P & A For Beneficiaries with Representative Payees (PABRP)		08/01/18-07/31/19	96.009	<u>37,119</u>
Total Social Security Administration				<u>420,133</u>
Total Federal Awards				<u>\$ 2,405,897</u>

ADVOCACY CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended September 30, 2018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Advocacy Center under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Par 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Advocacy Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Advocacy Center.

B. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

C. Indirect Cost Rate

Advocacy Center has not elected to use the 10% de minimis indirect cost rate.

ADVOCACY CENTER

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

For the year ended September 30, 2018

Agency Head Name: Kim Y. Jones (Period October 1, 2017 through February 23, 2018)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 49,313
Benefits - insurance	3,710
Benefits - retirement	3,356

Agency Head Name: Christopher Rodrigues (Period September 1, 2018 through September 30, 2018)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 8,654
Reimbursement – other	5,000

Justin J. Scanlan, C.P.A., F.T.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

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

Board of Directors
Advocacy Center

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 Advocacy Center (a non-profit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Advocacy Center'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 Advocacy Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Advocacy Center'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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

New Orleans, Louisiana
February 14, 2019



Justin J. Scanlan, C.H.A., F.L.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

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

Board of Directors
Advocacy Center

Report on Compliance for Each Major Federal Program

We have audited Advocacy Center's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Advocacy Center's major federal programs for the year ended September 30, 2018. Advocacy Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Advocacy Center's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200. *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance required that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Advocacy Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Advocacy Center's compliance.

Opinion on Each Major Federal Program

In our opinion, Advocacy Center 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 September 30, 2018.

Report on Internal Control Over Compliance

Management of Advocacy Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Advocacy Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate to the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Advocacy Center's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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



New Orleans, Louisiana
February 14, 2019

ADVOCACY CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended September 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported
- Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR sections 200.516(a)? ___ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.630	U. S. Department of Health and Human Services:
93.138	Protection and Advocacy for the Developmentally Disabled
	Protection and Advocacy for Individuals with Mental Illnesses
93.630	Passed through Louisiana Department of Health and Hospitals: SILAP Program

Dollar threshold used to distinguish between type A and B programs: \$750,000

A type B program was classified as a major program to satisfy the 40% testing rule

Auditee qualified as low-risk auditee? ___ yes X no

ADVOCACY CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended September 30, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no findings related to the financial statements ended September 30, 2018.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

There were no items identified in the course of our testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR FINDINGS

<u>Compliance</u>		<u>Resolved</u>	<u>Unresolved</u>	<u>Current Audit Findings</u>
2017-001	Audit Requirements	X		
<u>Internal Controls</u>				
2017-002	Accounting System	X		
2017-003	Cost Allocation System	X		
2017-004	Travel Advances	X		

ADVOCACY CENTER
STATEWIDE AGREED-UPON PROCEDURES
For the year ended September 30, 2018

Justin J. Scanlan, C.P.A., L.L.C.

A LIMITED LIABILITY COMPANY

4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Advocacy Center
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Advocacy Center and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal year October 1, 2017 through September 30, 2018. The Louisiana Foundation Against Sexual Assault, Inc.'s management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures.

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 results are as follows:

Written Policies and Procedures

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.
- 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, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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 card, 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.
- 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 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.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions noted.

Board or Finance Committee

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:

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.

For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities*

reporting on the non-profit 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 year.

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

Not applicable – There were no exceptions in the preceding year.

Bank Reconciliations

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 each account selected, and observe that:

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

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

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.

Results

There was no physical evidence that management reviewed the bank reconciliations.

Collections

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).

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:

Employees that are responsible for cash collections do not share cash drawers/registers. 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 be deposit.

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.

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.

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

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:

Observe that receipts are sequentially pre-numbered.

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

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

Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more that 10 miles from the collection location or the deposit is less than \$100).

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

Not applicable - There were no exceptions in the preceding year.

Non-Payroll Disbursements - (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

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).

For each location selected, 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 not written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

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

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

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.

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.

For each location selected above also, 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:

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

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

Not applicable – There were no exceptions in the preceding year.

Credit Cards

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.

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:

Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g. mayor of a Lawrason Act municipality); these instances should not be reported.]

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

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

No exceptions were noted.

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

Obtain from management a listing of all travel and 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:

If reimbursed using a pre 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).

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

Observe that each reimbursement 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.

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

Not applicable - There were no exceptions in the preceding year.

Contracts

Obtain from management a listing of all agreements/contracts for professional services, material 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:

Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

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

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

Results

Board of Director's approval was not obtained for the written contracts reviewed.

Payroll and Personnel

Obtain a listing of the 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.

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

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.)

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

Observe that any leave accrued or taken during the pay period is reflected in the entity's

cumulative leave records.

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

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.

No exceptions were noted.

Ethics

Non-Profit organizations are excluded from the Ethics Statewide Agreed-Upon Procedures.

Debt Service

Non-Profit organizations are excluded from the Debt Service Statewide Agreed-Upon Procedures.

Other

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.

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

Not applicable - There were no exceptions in the preceding year.

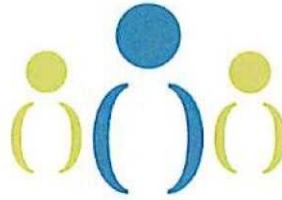
We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the State Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. 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 control and compliance areas identified in the State Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.

Justin J. Scandlen, CPA, LLC

New Orleans, Louisiana
February 14, 2019



ADVOCACY CENTER

SERVING PEOPLE WITH DISABILITIES AND SENIOR CITIZENS

RESPONSE TO STATEWIDE AGREED UPON PROCEDURES

BANK PROCEDURES

The monthly bank reconciliations are reconciled by the Fiscal Director / CFO and will be reviewed and signed by the Executive Director. After which, the reports will be filed and stored in accordance with the state and federal document disposal guidelines.

CONTRACTS

In accordance with the Advocacy Center's policy and procedure manual, any and all executed contracts over \$10,000 will be reviewed and signed by the Board Chair.