

# **HOPE Connections, Inc.**

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## **Financial Statements**

**Years Ended December 31, 2018 and 2017**

# HOPE Connections, Inc.

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## **Independent Auditor's Report**

The Board of Directors  
HOPE Connections, Inc.  
Shreveport, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of HOPE Connections, Inc. (a nonprofit organization, previously named "HOPE for the Homeless, Inc.") ("HOPE"), 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 summary of significant accounting policies and notes to 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**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my 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 I plan and perform the audits 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE Connections, Inc. as of December 31, 2018 and 2017, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

My audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Benefits and Other payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, The Schedule of Compensation, Benefits and Other Payments to Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2019 on my consideration of HOPE Connections, Inc.'s internal control over financial reporting and on my 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 my 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 HOPE Connections, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountant

Shreveport, Louisiana  
August 20, 2019

**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***

The Board of Directors  
HOPE Connections, Inc.  
Shreveport, Louisiana

I 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 HOPE Connections, Inc. (a nonprofit organization, previously named "HOPE for the Homeless, Inc.") ("HOPE") as of and for the year ended December 31, 2018, and the related summary of accounting policies and notes to financial statements and have issued my report thereon dated August 20, 2019.

***Compliance***

As part of obtaining reasonable assurance about whether HOPE's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance, as described in the attached schedule of findings and questioned costs as Items 2018-001, of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Internal Control over Financial Reporting***

In planning and performing my audit, I considered 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HOPE Connections, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness 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 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 on a timely basis.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. I did identify two deficiencies in internal control, described under Item 2018-002 and 2018-003, in the accompanying schedule of findings and question costs, that I consider to be material weaknesses.

*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.

***Purpose of Report***

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

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

A handwritten signature in blue ink that reads "James D. McElland, CPA LLC". The signature is written in a cursive style.

Certified Public Accountant

Shreveport, Louisiana  
August 20, 2019

# HOPE Connections, Inc.

## Statements of Financial Position

<i>December 31,</i>	<b>2018</b>	2017 Restated
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 23,019	\$ 4,360
Grants and contributions receivable, net of allowance for bad debts of \$51,117 and \$47,730	42,415	36,972
Accounts receivable, net	6,784	12,581
Property held for sale (Notes 4 and 8)	-	40,000
<b>Total current assets</b>	<b>72,218</b>	93,913
Property and equipment, net (Note 3)	1,053,496	1,102,212
<b>Total Assets</b>	<b>\$1,125,714</b>	\$1,196,125
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Drafts issued against future deposits	\$ -	\$ 6,804
Accounts payable and accrued expenses (Note 5)	75,210	118,168
Note payable (Note 2)	-	1,897
<b>Total Liabilities – all current</b>	<b>75,210</b>	126,869
<b>Net assets:</b>		
Without donor restrictions (Note 10)	1,050,504	1,002,568
With donor restrictions (Note 4 and 8)	-	66,688
<b>Total net assets</b>	<b>1,050,504</b>	1,069,256
<b>Total Liabilities and Net Assets</b>	<b>\$1,125,714</b>	\$1,196,125

*See accompanying summary of significant accounting policies and notes to financial statements.*

# HOPE Connections, Inc.

## Statements of Activities

<i>Years Ended December 31,</i>	<b>2018</b>	2017 Restated
<b>Changes in net assets without donor restrictions</b>		
<b>Unrestricted revenues and other support:</b>		
Contractual revenue-operating grants (Note 1)	\$ <b>637,204</b>	\$ 517,867
Contributions	<b>196,957</b>	165,471
Service fees	<b>99,814</b>	107,328
Assets released from restrictions	<b>66,688</b>	47,166
Special events - fundraising	<b>15,272</b>	10,727
Other	<b>4,170</b>	1,474
Rental income	<b>2,450</b>	1,800
United Way allocation	-	1,336
Loss on sale of asset	<b>(286)</b>	-
Total revenues and other support without donor restrictions	<b>1,022,269</b>	853,169
<b>Expenses:</b>		
Client services	<b>469,248</b>	332,022
Homeless coalition	<b>280,710</b>	296,575
Management and general	<b>224,375</b>	291,369
Total expenses	<b>974,333</b>	919,966
Increase (decrease) in net assets without donor restrictions	<b>47,936</b>	(66,797)
<b>Changes in net assets with donor restrictions -</b>		
Assets released from restrictions	<b>(66,688)</b>	(47,166)
Decrease in net assets with donor restrictions	<b>(66,688)</b>	(47,166)
Decrease in net assts	<b>(18,752)</b>	(113,963)
Net assets – beginning of year	<b>1,069,256</b>	1,183,219
Net assets – end of year	<b>\$1,050,504</b>	\$1,069,256

*See accompanying summary of significant accounting policies and notes to financial statements*

Year ended December 31,

2018

	Program Activities			Supporting Activities	
	Client Services	Homeless Coalition	Total Program Activities	Management and General Program	Total Expenses
<b>Expenses:</b>					
Assistance	\$ 10,344	\$ 1,879	\$ 12,223	\$ 14,125	\$ 26,348
Bad debt expense	-	-	-	3,387	3,387
Depreciation and amortization	-	-	-	48,716	48,716
Fundraising	-	-	-	933	933
Group insurance	-	-	-	25,111	25,111
Homeless information management systems	23,495	-	23,495	-	23,495
Insurance	12,339	2,456	14,795	2,267	17,062
Interest expense	-	-	-	-	-
Meeting expenses	-	-	-	2,611	2,611
Occupancy	20,552	3,677	24,229	19,964	44,193
Other	1,428	28	1,456	11,302	12,758
Penalty expense	-	-	-	10,058	10,058
Printing and publications	1,608	1,522	3,130	259	3,389
Professional services	14,767	-	14,767	11,126	25,893
Repairs and maintenance	-	50	50	2,809	2,859
Salaries and benefits	381,009	261,591	642,600	71,507	714,107
Special events	-	1,832	1,832	-	1,832
Travel and conferences	3,706	7,675	11,381	200	11,581
<b>Total expenses</b>	<b>\$469,248</b>	<b>\$280,710</b>	<b>\$749,958</b>	<b>\$224,375</b>	<b>\$974,333</b>

# HOPE Connections, Inc.

## Statements of Functional Expenses

2017  
Restated

Program Activities			Supporting Activities	
Client Services	Homeless Coalition	Total Program Activities	Management and General Program	Total Expenses
\$ 8,850	\$ 161	\$ 9,011	\$ 7,670	\$ 16,681
-	-	-	41,543	41,543
-	-	-	44,214	44,214
-	-	-	1,877	1,877
-	-	-	14,565	14,565
20,409	-	20,409	-	20,409
9,663	2,283	11,946	3,533	15,479
-	-	-	853	853
1,352	38	1,390	3,994	5,384
12,948	4,062	17,010	17,155	34,165
-	44	44	4,485	4,529
-	-	-	22,976	22,976
1,637	1,712	3,349	300	3,649
-	-	-	17,481	17,481
101	60	161	4,964	5,125
269,129	279,610	548,739	102,563	651,302
-	2,084	2,084	-	2,084
7,933	6,521	14,454	3,196	17,650
\$332,022	\$296,575	\$628,597	\$291,369	\$919,966

See accompanying summary of significant accounting policies and notes to financial statements.

# HOPE Connections, Inc.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	<b>2018</b>	2017 Restated
<b>Cash flows from operating activities:</b>		
Decrease in net assets	<b>\$ (18,752)</b>	\$(113,963)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	<b>48,716</b>	44,214
Loss from disposition of asset	<b>286</b>	-
Changes in operating assets and liabilities:		
(Increase) decrease in grants and contributions receivable, net	<b>(5,443)</b>	32,096
Decrease in accounts receivable, net	<b>5,797</b>	6,539
Decrease in checks issued against future deposits	<b>(6,804)</b>	(9,337)
Increase (decrease) in accounts payable and accrued expenses	<b>(42,958)</b>	62,947
Net cash provided (used) by operating activities	<b>(19,158)</b>	22,496
<b>Cash flows from investing activities -</b>		
Proceeds from disposition of fixed asset	<b>39,714</b>	-
Net cash provided by investing activities	<b>39,714</b>	-
<b>Cash flows from financing activities -</b>		
Debt repayment	<b>(1,897)</b>	(23,432)
Net cash used by financing activities	<b>(1,897)</b>	(23,432)
Net increase (decrease) in cash	<b>18,659</b>	(936)
Cash at beginning of year	<b>4,360</b>	5,296
Cash at end of year	<b>\$ 23,019</b>	\$ 4,360

*See accompanying summary of significant accounting policies and notes to financial statements.*

# HOPE Connections, Inc.

## Summary of Significant Accounting Policies

**Nature of Activities** HOPE Connections, Inc. (HOPE), is a nonprofit corporation organized under the laws of the State of Louisiana. HOPE was established to help meet the housing and service needs of the homeless in Northwest Louisiana and help transition them to self-sufficiency.

**Basis of Accounting** The financial statements of HOPE have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Concentrations of Credit Risk** The majority of HOPE's revenue comes from Federal, State of Louisiana, and local government grants. Additionally, HOPE receives membership and service fees paid by local agencies as well as contributions and grants from individuals and agencies operating in Northwest Louisiana. HOPE is therefore heavily dependent on the Federal, State and local governments for its operations as well as the economy of Northwest Louisiana.

**Income Tax Status** As a nonprofit organization, HOPE is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; but must file an annual return with the Internal Revenue Service that contains information on its financial operations. HOPE is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also assess whether it has any tax positions associated with unrelated business income subject to income tax.

HOPE has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. Management has evaluated HOPE's tax positions and concluded that HOPE has taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of ASC 740. HOPE does not expect any of its tax positions to change significantly over the next twelve months. Any penalties related to late filings or other requirements would be recognized as penalties expense in HOPE's accounting records.

HOPE is required to file U.S. Federal Form 990 for informational purposes. Its Federal income tax filings for the tax years ended 2016 and beyond remain subject to examination by the Internal Revenue Service.

# HOPE Connections, Inc.

## Summary of Significant Accounting Policies

(Continued)

**Use of Estimates** Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates made by management are the collectability of recorded receivables and the useful lives of property and equipment.

**Cash and Cash Equivalents** HOPE's cash, as stated for cash flow purposes, consists of cash on hand and in demand deposits with financial institutions.

**Property and Equipment** Property and equipment are stated at cost if purchased, or fair value if donated. Management's policy is to capitalize assets with useful lives greater than one year and a cost of \$500 or more. Depreciation and amortization are calculated using the straight-line method over the useful lives of the assets, ranging from three to forty years. Certain property purchased with grant funds may revert back to the funding agency if the program is closed or abandoned and proceeds from the sale of certain property could be returned to the granting agency.

**Revenue and Support** HOPE has adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. HOPE is required to report information regarding its financial position and activities according to two classes of net assets; assets with donor restrictions and assets without donor restrictions. Prior year net assets have been reclassified to reflect current year classifications.

### Net Assets

Assets without donor restrictions – The part of net assets that are not restricted by donor/grantor-imposed stipulations.

Assets with donor restrictions – The part of net assets that are restricted by donor/grantor-imposed stipulations

# HOPE Connections, Inc.

## Summary of Significant Accounting Policies

*(Continued)*

### **Revenue and Support (continued)**

#### **Revenue**

Contributions received may be recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as support without donor restrictions due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support and contributions that are restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

### **Compensated Absences**

Beginning in 2017, full-time employees receive a set amount of paid time off (PTO) determined by longevity. Unused PTO does not carry over to the next year. Unused PTO is not paid at separation. Thus, for the years ended December 31, 2018 and 2017, HOPE has made no provision for compensated absences.

### **Accounts Receivable**

Grants and contributions receivable and accounts receivable are presented in the accompanying financial statement net of any allowance for doubtful accounts. At such time as a customer account becomes totally worthless, the account is written off as a charge against the allowance for doubtful accounts. Management periodically reviews past due accounts to determine if circumstances indicate that all, or a portion, of a customer account will not be collectible. Based on this assessment, management reserves that portion of the receivable deemed to be uncollectible. At December 31, 2018 and 2017, the allowance for doubtful accounts was \$51,117 and \$47,730, respectively.

# HOPE Connections, Inc.

## Summary of Significant Accounting Policies

*(Concluded)*

### **Functional Expenses**

The costs of providing program and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities benefited. Such allocations are determined by management on an equitable basis.

The expenses that have been allocated include the following:

<b>Expenses</b>	<b>Method of Allocation</b>
Occupancy	Square footage
Professional services	Time and effort
Salaries and benefits	Time and effort

### **Subsequent Events**

Management evaluated events subsequent to HOPE's most recent year end through August 20, 2019, the financial statement issuance date. No material subsequent events that require recognition or additional disclosure in these financial statements were noted.

# HOPE Connections, Inc.

## Notes to Financial Statements

### 1. Revenue and Support

During the year ended December 31, 2018, HOPE received contractual revenue from various federal, state and local grants. The continued existence of these funds is based on periodic contract renewals with various funding sources; amounts renewed may differ significantly from those in existence at December 31, 2018. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries; adjustments in future periods may be necessary as final grant settlements are determined. Such grant revenue is summarized as follows:

	2018	2017
Louisiana Department of Health and Hospitals	<b>\$124,924</b>	\$118,676
U.S. Department of Housing and Urban Development:		
Direct	<b>325,427</b>	271,747
City of Shreveport	<b>73,669</b>	87,585
Housing Authority of Bossier City	<b>113,184</b>	39,859
	<b>\$637,204</b>	\$517,867

In 2018, HOPE received \$107,000 in public support contributions designated for the Coordinated Access Program. In 2017, HOPE received \$80,000 in public support contributions designated for staff salaries.

### 2. Notes Payable and Long-term Debt

Note payable represents borrowings under a prime plus 0.25%, \$96,856 promissory note payable in 36 monthly installments of \$2,862, including interest, beginning October 2014 and maturing September 11, 2017. The minimum interest on the note is 4%, which was the rate charged as of December 31, 2017. The note was collateralized by real estate at 2346 and 2350 Levy Street. The remaining balance of the note was \$1,897 at December 31, 2017, all due in 2018. The note was fully paid off in 2018.

# HOPE Connections, Inc.

## Notes to Financial Statements (Continued)

### 3. Property and Equipment

The major classifications of property and equipment as of December 31, 2018 and 2017 were as follows:

	2018	2017
Building and improvements	<b>\$1,125,169</b>	\$1,125,169
Vehicles	<b>51,211</b>	51,211
Furniture and fixtures	<b>36,110</b>	36,110
Land - parking lot	<b>35,842</b>	35,842
Equipment	<b>29,004</b>	29,004
Construction in-progress	<b>5,360</b>	5,360
	<b>1,282,696</b>	1,282,696
Accumulated depreciation and amortization	<b>(229,200)</b>	(180,484)
Property and equipment, net	<b>\$1,053,496</b>	\$1,102,212

Depreciation and amortization expense for property and equipment totaled \$48,716 and \$44,214 for the years ended December 31, 2018 and 2017, respectively.

### 4. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2018	2017
Management and general programs:		
Operating expenses	\$ -	\$23,224
Capital improvement	-	3,464
Long-term asset held for sale	-	40,000
	<b>\$ -</b>	<b>\$66,688</b>

### 5. Accounts Payable and Accrued Expenses

As of December 31, 2018, HOPE had accrued federal payroll tax liabilities of \$11,433, of which approximately \$5,400 had not been timely remitted. In addition, accrued interest and penalties on late payroll tax payments amounted to approximately \$28,900, including balances accrued as of December 31, 2017.

# HOPE Connections, Inc.

## Notes to Financial Statements (Continued)

**5. Accounts Payable and Accrued Expenses – (continued)**

As of December 31, 2017, HOPE had accrued federal payroll tax liabilities of \$74,609 of which \$68,272 had not been timely remitted. Additionally, accrued interest and penalties on late payroll tax payments amounted to approximately \$19,600.

**6. Availability of Financial Assets**

The following reflects HOPE's financial assets as of the statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date:

	<b>2018</b>	2017
Financial assets at year end:		
Cash and cash equivalents	<b>\$23,019</b>	\$ 4,360
Accounts receivable, net	<b>6,784</b>	12,581
Grants and contributions receivable, net	<b>42,415</b>	36,972
Total financial assets as year end	<b>72,218</b>	53,913
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions	-	(26,688)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$72,218</b>	\$ 27,225

**7. Commitments**

HOPE leases certain equipment under a lease with a term in excess of one year. Future minimum rentals under the lease are: 2019 - \$820. Rental expense under operating leases in 2018 amounted to \$1,268.

**8. Asset Held for Sale**

Asset held for sale as of December 31, 2017 consists of residential real property restrictively donated to HOPE by the City of Shreveport in 2015 with fair market value of \$40,000. The property was sold in 2018.

# HOPE Connections, Inc.

## Notes to Financial Statements (Concluded)

### 9. Accounting Changes

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by HOPE, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the HOPE's year ending December 31, 2018 and thereafter and has been applied on a retrospective basis. HOPE adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

### 10. Prior Period Adjustment

As discussed in Note 5, during 2017, HOPE did not timely remit payroll taxes to the Internal Revenue Service. As a result, it incurred late filing penalties and late payment penalties and interest. The penalties and interest were not recorded in the financial statements as of December 31, 2017.

The financial statements have been restated to report the correct amounts. Previously reported amounts have been restated as follows:

Financial Statement Item	As Previously	
	Reported	As Restated
Current liabilities	\$ 107,283	\$ 126,869
Total liabilities	107,283	126,869
Net assets without donor restrictions		
Total Net Assets	1,088,842	1,069,256
Management and General Expense	271,783	291,369
Decrease in net assets without donor	(47,211)	(66,797)
Decrease in net assets	(94,377)	(113,963)

# **Supplemental Material**



# HOPE Connections, Inc.

## Schedule of Compensation, Benefits and Other Payments to Agency Head

*Year Ended December 31, 2018*

Christa Pazzaglia, Executive Director

Salary	\$65,000
Benefits – insurance	3,568
Benefits – retirement	-
Deferred compensation contributions	-
Car allowance	-
Vehicle	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	757
Travel	-
Registration fees	-
Conference travel	1,277
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$70,602</u>

# HOPE Connections, Inc.

## Schedule of Findings and Questioned Costs Year Ended December 31, 2018

### Summary of Audit Results

1. The auditor's report expressed an unqualified opinion on the financial statements of HOPE Connections, Inc.
2. Two material weaknesses in internal control were disclosed during the audit of the financial statements.
3. One instance of noncompliance material to the financial statements of HOPE Connections, Inc. was disclosed during the audit.
4. A separate management letter was not issued to HOPE Connections, Inc.

### Findings - Financial Statement Audit

#### 2018-001 – Late Filing of Report

##### Condition

The Organization failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended December 31, 2018 was not submitted to the Louisiana Legislative Auditor's Office until after June 30, 2019, the statutory due date.

##### Criteria

Pursuant to Louisiana Revised Statute 24:513, financial statements are required to be filed with the Louisiana Legislative Auditor no later than six months after an entity's fiscal year end.

##### Cause

Management required additional time to obtain sufficient and reliable documentation to support audit procedures.

##### Effect

The Organization was not in compliance with the state audit law.

##### Recommendation

In the future, management should ensure the financial statements are timely filed.

# HOPE Connections, Inc.

## Schedule of Findings and Questioned Costs Year Ended December 31, 2018

(Continued)

### Findings - Financial Statement Audit – (continued)

#### 2018-002 – Overdue Payroll Taxes

##### Condition

The Organization has not remitted federal and state payroll taxes according to the deposit schedules required by the taxing authorities.

##### Criteria

The taxing authorities require the Organization to remit payroll taxes on a periodic basis.

##### Cause

The Organization lacked sufficient cash on hand to make the required payroll tax deposits.

##### Effect

The Organization was not in compliance with federal and state law. Under federal law, certain members of management as well as the board of directors could be held personally liable for unpaid payroll taxes.

##### Recommendation

Management should implement internal controls to ensure payroll taxes are remitted according to the required deposits schedules.

#### 2018-003 –Payments of Back Wages

##### Condition

The Organization paid back wages to three employees outside of the payroll accounting system.

##### Criteria

Taxing authority criteria require employers to include all wage payments in reportable wages and to calculate and remit applicable payroll taxes.

##### Cause

The Organization failed to properly calculate gross pay for the employees after they were granted a pay increase. When the error was found, the Organization paid the back payments to the employees through the accounts payable system instead of the payroll system, not realizing this would understate taxable wages for the three employees.

# HOPE Connections, Inc.

## Schedule of Findings and Questioned Costs Year Ended December 31, 2018

*(Concluded)*

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### Findings - Financial Statement Audit – (continued)

#### 2018-003 –Payments of Back Wages (continued)

##### Effect

The Organization underpaid federal and state payroll taxes.

##### Recommendation

Management should implement internal control processes to ensure all payroll payments are properly added to wages and the appropriate payroll taxes calculated and remitted.

**Management's Response and Plan of Corrective Action to Current Year Findings  
For the Year Ended December 31, 2018**

**2018-001 – Late Filing of Report**

Condition

The Organization failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended December 31, 2018 was not submitted to the Louisiana Legislative Auditor's Office until after June 30, 2019, the statutory due date.

Recommendation

In the future, management should ensure the financial statements are timely filed.

Management's plan of corrective action

Management agrees with this finding and will ensure timely filing of the financial statements in the future.

**2018-002 – Overdue Payroll Taxes**

Condition

The Organization has not remitted federal and state payroll taxes according to the deposit schedules required by the taxing authorities.

Recommendation

Management should implement internal controls to ensure payroll taxes are remitted according to the required deposits schedules.

Management's plan of corrective action

Management agrees with this finding and has already implement internal controls necessary to ensure timely remittance of federal and state payroll taxes. As part of our plan, we have engaged a third-party accountant to assist in calculating such taxes and ensuring we prioritize the payment of payroll taxes when payroll is paid. As of the date the financial statements were available for issue, HOPE had remitted all overdue payroll taxes.

**2018-003 –Payments of Back Wages**

Condition

The Organization paid back wages to three employees outside of the payroll accounting system.

Recommendation

Management should implement internal control processes to ensure supplemental payroll payments are properly added to wages and the appropriate payroll taxes calculated and remitted.

**Management's Response and Plan of Corrective Action to Current Year Findings  
For the Year Ended December 31, 2018  
(Concluded)**

Management's plan of corrective action

Management agrees with this finding and has already implement internal controls necessary to ensure supplemental payroll payment are made through the payroll accounting system.

Respectfully submitted,

  
Christa Pazzaglia  
Executive Director

# HOPE Connections, Inc.

## Status of Prior Year Findings Year Ended December 31, 2017

<b>Ref. No.</b>	<b>Fiscal Year Finding Initially Occurred</b>	<b>Description of Findings</b>	<b>Corrective Action Taken</b>	<b>Corrective Action/Partial Corrective Action Taken</b>
2017-001	2015	Use of Restricted Funds	Yes	No restricted funds remained as of December 31, 2018
2017-002	2015	Late Filing of Report	No	Repeated as 2018-001
2017-003	2016	Overdue Payroll Taxes	No	Repeated as 2018-002
2017-004	2017	Late Filed Payroll Tax Returns	Yes	Payroll tax returns timely filed in 2018
2017-005	2017	Cash Bonus Payments	Yes	No cash bonuses given to employees

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures**



INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the board of directors of HOPE Connections, Inc. and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by HOPE Connections, Inc. (HOPE) 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. HOPE'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, I 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***

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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.

*Obtained the entity's written policies and procedures and noted all the Budgeting functions described above were addressed without exception.*

- 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.

*Obtained the entity's written policies and procedures regarding the Purchasing function and noted the following in reference to the control objectives enumerated above:*

- (1) *Noted without exception*
- (2) *Not addressed (Exception)*
- (3) *Noted without exception*
- (4) *Noted without exception*
- (5) *Not addressed (Exception)*

Management's response:

We agree and will amend our policies and procedures to address current practices that meet these control objectives.

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

*Obtained the entity's written policies and procedures and noted all the Disbursement functions described above were addressed without exception.*

- d) **Receipts**, 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).

*Obtained the entity's written policies and procedures and noted the policies and procedures manual does not directly address management's actions to determine the completeness of all collections for each type of revenue (Exception).*

Management's response:

We agree and will amend our policies and procedures to address current practices that meet this control objective.

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

*Obtained the entity's written policies and procedures and noted all the Payroll/Personnel functions described above were addressed without exception.*

- 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.

*Obtained the entity's written policies and procedures regarding the above Contracting functions and noted none of the functions described above were addressed (Exception).*

Management's response:

We agree and will amend our policies and procedures to address current practices that meet these control objectives.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.

*Obtained the entity's written policies and procedures and noted all the Credit Card functions described above were addressed without exception.*

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

*Obtained the entity's written policies and procedures and noted all the functions described above were addressed without exception.*

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*Not applicable to this non-profit entity.*

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

*Not applicable to this non-profit entity.*

### **Bank Reconciliations**

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2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

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

*Noted without exception by reference to the computer-generated date/timestamp printed on the reconciliation report.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*There was no documentary evidence that a member of management/board member reviewed the bank reconciliation (Exception).*

Management's response:

We agree with the exception and will ensure management documents review of bank reconciliations.

- 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.

*There was no evidence documenting management had researched reconciling items that had been outstanding for more than 12 months (Exception).*

*Practitioner's note: I noted by reference to the December 31, 2018 reconciliation report and inquiry of management that over thirty uncleared disbursement transactions and three uncleared deposit transactions had been incorrectly entered into the accounting records. These errors were correct by the end of fieldwork.*

Management response:

We agree with the exception and will ensure uncleared reconciling items are researched and errors of entry corrected.

### ***Collections***

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3. 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 a listing of deposit site locations and management's representation that the listing is complete. The entity has one deposit site location.*

4. 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.

*The entity does not have a need for a cash drawer system.*

- 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.

*The employee responsible for collecting cash also prepares the bank deposit without another employee/official reconciling collection documentation to the deposit (Exception).*

Management's response:

We agree the exception exists; however, current staffing will not allow for this separation of duties. Given the source of our revenue, we believe failure to report material receipts would be noted through the application of other controls.

- 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:

*The employee responsible for collecting cash is also responsible for posting collection entries to the general/subsidiary ledgers without another employee/official reconciling the ledger postings to the deposit (Exception).*

Management's response:

We agree the exception exists; however, current staffing will not allow for this separation of duties. Given the source of our revenue, we believe failure to report material receipts would be noted through the application of other controls.

- 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.

*The entity uses the services of an outside accounting firm to reconcile cash collections to the general ledger. Firm employees are not involved in collections.*

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

*Employees who have access to cash are not covered by a bond or insurance policy for theft (Exception).*

Management's response:

We agree with the exception and will take steps to ensure the appropriate personnel are bonded.

6. Randomly select two deposit dates for at least five entity bank accounts (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 deposits and:

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

*Auto-generated through QuickBooks.*

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

*Done without exception.*

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

*I noted management did not always deposit cash received. The cash was retained in the office for cash payments to clients performing janitorial services or to reimburse employees for out-of-pocket business expenses (Exception).*

Management's response:

We agree with the exception and have stopped the practice of retaining cash received at the office and will ensure all cash received is deposited into the bank.

- 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).

*There was insufficient documentary evidence to determine whether checks received by mail were deposited within one business day of receipt.*

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

*The accounting records did not properly reflect the receipt and disbursement of cash received and retain in the office as noted in subparagraph (c) above (Exception).*

Management's response:

We agree with the exception and will ensure cash receipts and disbursements are properly recorded in the accounting records.

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

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7. 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).

*There is only one payment processing location.*

8. For each location selected under #7 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.

*Noted without exception.*

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

*Noted without exception.*

- 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.

*The employee responsible for processing payments also adds/modifies vendor files without another employee periodically reviewing changes to the vendor file. As a compensating control, the employee who processes payments is not permitted to sign vendor payment checks. Management approves all payments to vendors and thus is able to inquire about vendor irregularities.*

- 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.

*Noted without exception.*

9. For each location selected under #7 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.

*One disbursement did not have an original invoice/billing statement (Exception).*

Management's response:

Management agrees with the exception and will ensure disbursements are not authorized unless the purchase request has an original invoice/billing statement

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #7, as applicable.

*One disbursement tested did not have agency head approval documented on the purchase request form (Exception).*

Management's response:

We agree with the exception and will ensure all purchase request forms have management's approval.

### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

*Done without exception.*

11. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe 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.

*For the debit card held by the agency head, there was no evidence that supporting documentation was reviewed and approved by someone other than the authorized card holder (Exception).*

Management's response:

While we agree with the exception, we believe the agency head has sufficient authority to authorized debit card usage when the agency head is the authorized card holder. As a control, the director of operations, who records debit cards transactions into the accounting records, has the skills, knowledge and experience to recognize any suspicious charges that may be outside the scope of normal operations.

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

*No finance charges were noted.*

12. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

*No exceptions noted.*

### ***Payroll and Personnel***

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13. 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.

*Noted without exception*

14. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #13 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).

*Noted without exception.*

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

*Noted without exception.*

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

*Noted without exception.*

*Practitioner's note: While the above control tested without exception, I noted one employee was permitted to take leave while having a negative balance available.*

- 15. 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.

*Noted without exception.*

- 16. 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.

*The entity has not remitted all federal/state payroll taxes and health insurance premiums by the required deadlines.*

Management's response:

We agree and have hired an outside accounting firm to assist us with remitting payroll taxes and health insurance premiums by required deadlines.

***Other***

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- 17. 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.

*Management asserts the entity had no misappropriation of public funds or assets.*

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

*The entity has not posted the required notice on its website.*

Management's response:

While we agree with the exception, modifying the website to include the notice is cost prohibitive.

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.



Certified Public Accountant

Shreveport, Louisiana  
August 20, 2019