

DESIRE STREET MINISTRIES

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017 AND 2016

DESIRE STREET MINISTRIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Desire Street Ministries:

Report on the Financial Statements

We have audited the accompanying financial statements of Desire Street Ministries (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Desire Street Ministries as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Atlanta, Georgia
December 6, 2017

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DESIRE STREET MINISTRIES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,507,044	\$ 2,425,885
Government grant reimbursements receivable	595,752	1,307,162
Contributions and pledges receivable, net	645,743	183,059
Note receivable, net	642,359	834,318
Other receivables	75,995	112,963
Prepaid expenses and other assets	126,338	113,215
Donated assets available for sale	7,000	7,000
Cash restricted for long-term purposes	430,000	175,000
Property and equipment, net	3,799,019	3,716,512
Total assets	\$ 7,829,250	\$ 8,875,114
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 69,060	\$ 213,606
Construction payable	-	949,718
Accrued liabilities	127,070	373,511
Deferred revenue	32,969	5,000
Debt	500,000	500,000
Total liabilities	729,099	2,041,835
Commitments and contingencies		
Net assets:		
Unrestricted net assets	6,466,249	6,626,635
Temporarily restricted net assets	633,902	206,644
Total net assets	7,100,151	6,833,279
Total liabilities and net assets	\$ 7,829,250	\$ 8,875,114

The accompanying notes are an integral part of these financial statements.

DESIRE STREET MINISTRIES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 1,025,722	\$ 1,132,960
Grant and contract revenue	426,653	7,979,044
Special event revenue, net of \$154,676 and \$162,542 in direct expenses	206,507	182,677
Rent revenue	128,152	11,700
Interest income	49,362	64,443
Realized gain (loss) on contributed stock	(537)	19
Other income	28,831	146,863
Total unrestricted revenues and gains	1,864,690	9,517,706
Net assets released from restrictions	428,738	390,269
Total unrestricted revenues, gains and support	2,293,428	9,907,975
Expenses:		
Program		
Coach and Care	868,390	651,304
Invest and Revitalize - New Orleans	709,892	784,510
Educate and Engage	211,885	204,991
Total program expense	1,790,167	1,640,805
General and Administrative	329,500	207,880
Fundraising	334,147	244,451
Total expenses	2,453,814	2,093,136
Increase (decrease) in unrestricted net assets before non-operating expenses	(160,386)	7,814,839
Impairment of land and building	-	(6,012,560)
Increase (decrease) in unrestricted net assets	(160,386)	1,802,279
Changes in temporarily restricted net assets:		
Contributions	855,996	370,433
Net assets released from restrictions	(428,738)	(390,269)
Increase (decrease) in temporarily restricted net assets	427,258	(19,836)
Increase in net assets	266,872	1,782,443
Net assets, beginning of year	6,833,279	5,050,836
Net assets, end of year	\$ 7,100,151	\$ 6,833,279

The accompanying notes are an integral part of these financial statements.

DESIRE STREET MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Coach and Care	Invest and Revitalize - New Orleans	Educate and Engage	Total Programs	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ 343,978	\$ 107,083	\$ 145,938	\$ 596,999	\$ 131,378	\$ 147,654	\$ 876,031
Benefits and payroll taxes	68,933	22,837	31,123	122,893	28,018	31,489	182,400
Total personnel	<u>412,911</u>	<u>129,920</u>	<u>177,061</u>	<u>719,892</u>	<u>159,396</u>	<u>179,143</u>	<u>1,058,431</u>
Strategic Partner direct grants	185,105	59,525	-	244,630	-	-	244,630
Travel, meals and accommodations	169,698	12,964	4,169	186,831	8,567	9,775	205,173
Professional fees	-	7,730	-	7,730	22,400	5,481	35,611
Project management	-	152,930	-	152,930	-	-	152,930
Office and administrative	10,069	10,664	1,067	21,800	11,283	13,989	47,072
Conferences and training	14,543	992	1,353	16,888	1,218	7,529	25,635
Postage and printing	183	204	7,896	8,283	1,305	12,391	21,979
Licenses, permits and registrations	-	-	-	-	163	3,948	4,111
Telephone and technology	12,935	4,037	8,502	25,474	5,953	12,371	43,798
Equipment lease	-	-	5,804	5,804	967	2,902	9,673
Rent and utilities	15,090	27,827	974	43,891	15,090	17,524	76,505
Repairs and maintenance	7,546	10,162	487	18,195	7,546	8,763	34,504
Depreciation	6,049	153,775	390	160,214	8,064	9,870	178,148
Marketing and public relations	-	-	-	-	-	47,025	47,025
Raising Awareness Forums	26,738	3,885	785	31,408	-	-	31,408
Insurance	7,523	78,926	3,397	89,846	7,548	3,436	100,830
Provision for bad debt	-	56,351	-	56,351	80,000	-	136,351
Total expenses	<u>\$ 868,390</u>	<u>\$ 709,892</u>	<u>\$ 211,885</u>	<u>\$ 1,790,167</u>	<u>\$ 329,500</u>	<u>\$ 334,147</u>	<u>\$ 2,453,814</u>

The accompanying notes are an integral part of these financial statements.

DESIRE STREET MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Coach and Care	Invest and Revitalize - New Orleans	Educate and Engage	Total Programs	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ 252,214	\$ 117,684	\$ 134,244	\$ 504,142	\$ 109,901	\$ 116,616	\$ 730,659
Benefits and payroll taxes	54,480	25,420	28,998	108,898	34,530	25,190	168,618
Total personnel	<u>306,694</u>	<u>143,104</u>	<u>163,242</u>	<u>613,040</u>	<u>144,431</u>	<u>141,806</u>	<u>899,277</u>
Strategic Partner direct grants	169,375	138,282	-	307,657	-	-	307,657
Travel, meals and accommodations	106,025	9,671	7,287	122,983	11,021	7,602	141,606
Professional fees	-	1,927	-	1,927	17,200	5,481	24,608
Project management	-	30,555	-	30,555	-	-	30,555
Office and administrative	6,030	-	-	6,030	11,522	10,248	27,800
Conferences and training	11,694	2,063	2,353	16,110	1,927	7,437	25,474
Postage and printing	860	336	11,512	12,708	903	10,102	23,713
Licenses, permits and registrations	-	-	-	-	157	3,461	3,618
Telephone and technology	13,420	3,404	3,883	20,707	3,179	9,612	33,498
Equipment lease	-	-	6,642	6,642	1,328	886	8,856
Rent and utilities	16,867	8,767	-	25,634	3,117	1,662	30,413
Repairs and maintenance	9,379	15,663	-	25,042	1,733	924	27,699
Depreciation	5,006	9,064	2,665	16,735	2,181	6,664	25,580
Marketing and public relations	-	-	-	-	-	33,581	33,581
Raising Awareness Forums	5,522	-	7,177	12,699	-	4,785	17,484
Insurance	432	10,529	230	11,191	9,181	200	20,572
Grant close-out adjustments	-	74,145	-	74,145	-	-	74,145
Reserve for grant close-out adjustments	-	337,000	-	337,000	-	-	337,000
Total expenses	<u>\$ 651,304</u>	<u>\$ 784,510</u>	<u>\$ 204,991</u>	<u>\$ 1,640,805</u>	<u>\$ 207,880</u>	<u>\$ 244,451</u>	<u>\$ 2,093,136</u>

The accompanying notes are an integral part of these financial statements.

DESIRE STREET MINISTRIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 266,872	\$ 1,782,443
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	178,148	25,580
Net realized gain (loss) on contributed assets	5,161	(19)
Impairment of land and building	-	6,012,560
Contributed stock	(85,926)	(50,560)
Provision for bad debt	136,351	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Government grant reimbursements receivable	711,410	(1,185,208)
Contributions and pledges receivable	(462,684)	120,419
Other receivables	(19,383)	(106,555)
Prepaid expenses and other assets	(21,248)	(72,965)
Increase (decrease) in:		
Accounts payable	(144,546)	203,042
Accrued liabilities	(246,441)	342,017
Deferred revenue	27,969	(22,500)
Total adjustments	78,811	5,265,811
Net cash provided by operating activities	345,683	7,048,254
Cash flows from investing activities:		
Contributed stock	88,890	50,579
Reinvestment in certificates of deposit	-	(2,741)
Maturities of certificates of deposit	-	255,266
Principal payments on note receivable	111,959	115,699
Construction in progress	(189,535)	(7,757,057)
Acquisition of other property and equipment	(71,120)	(140,027)
Cash restricted for long-term purposes	(255,000)	(25,000)
Net cash used in investing activities	(314,806)	(7,503,281)
Cash flows from financing activities:		
Advance on note payable	-	500,000
Construction payable	(949,718)	844,407
Net cash provided by (used in) financing activities	(949,718)	1,344,407
Net increase (decrease) in cash and cash equivalents	(918,841)	889,380
Cash and cash equivalents, beginning of year	2,425,885	1,536,505
Cash and cash equivalents, end of year	\$ 1,507,044	\$ 2,425,885

The accompanying notes are an integral part of these financial statements.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies

Organization

Desire Street Ministries (the Ministry) is a nonprofit organization incorporated under the laws of the state of Louisiana on May 18, 1992. The Ministry originated with the cultivation of a redemptive community-based ministry for the people of the Desire Housing Project of New Orleans, through the teaching and practice of the Christian faith as revealed in the Holy Scriptures, both Old and New Testaments. Following Hurricane Katrina's devastation in 2005, the Ministry began to expand its reach beyond the city of New Orleans.

Today the Ministry is headquartered in Atlanta, Georgia and has transitioned from hands-on management of an inner-city ministry, to instead using a partnership model to develop and support separate urban ministries in multiple cities and states. Through partnerships, Desire Street Ministries reaches more neighborhoods than it could reach alone. With a mission *to love our neighbor by revitalizing under-resourced neighborhoods through spiritual and community development*, the Ministry is committed to three distinct programs.

First, knowing that thriving leaders produce thriving ministries that will be effective and sustainable, the Ministry *Coaches, Cares and Provides* for urban ministry leader partners who are called to live and work in impoverished neighborhoods. Second, the Ministry seeks out individuals and organizations with a heart for the inner-city, *Educates and Engages* them, and connects them with ministry leaders living and working in these neighborhoods. Finally, the Ministry *Invests and Revitalizes* in its home city, continuing its commitment to the Ninth Ward of New Orleans, Louisiana. Even though it has been more than ten years since Hurricane Katrina hit the city of New Orleans, the upper Ninth Ward continues struggling to emerge from the disaster. Since lower-income neighborhoods do not have the resources necessary for recovery, Desire Street Ministries seeks to provide wellness, hope and a sense of community by providing a community wellness center where its school for boys, Desire Street Academy, once stood.

Basis of Accounting

The Ministry prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and in accordance with standards adopted by the American Institute of Certified Public Accountants for certain nonprofit organizations. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Basis of Presentation

To ensure observation of limitations and restrictions placed on the use of resources available to the Ministry, resources are classified for accounting and financial reporting purposes into three categories established according to their nature and purposes. The assets, liabilities and net assets are reported in three categories as follows:

- Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Ministry and its purposes.
- Temporarily restricted net assets are resources whose use by the Ministry is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Ministry.
- Permanently restricted net assets are those whose use by the Ministry is limited by donor-imposed stipulations requiring that the corpus be maintained in perpetuity. The Ministry does not currently have any permanently restricted net assets.

Revenue Recognition

Contributions (including unconditional promises to give, i.e., pledges or private grants) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges or private grants that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges or private grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts (if any) is included in contributions in the accompanying statements of activities and changes in net assets. Conditional pledges or private grants are not included as support until the conditions are substantially met.

The Ministry recognizes contributions as restricted support if they are received with donor imposed restrictions that limit the use of the donated assets. When a donor-imposed restriction is met or the passage of time expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statements of activities as net assets released from restrictions. The Ministry records gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Land held for sale, other assets and marketable securities acquired by gift are recorded at fair market value on the date of the receipt.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Revenue Recognition – Continued

Donated services received that either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated are recorded at the value of those donated services. There were no donated services received for the years ended 2017 and 2016.

Donated material and equipment are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt. For the years ended June 30, 2017 and 2016, the estimated value of these donated materials and equipment was \$15,543 and \$64,321, respectively and is reflected in these financial statements as unrestricted contributions and special event revenue. Special events revenue is recognized in the period in which the event is held.

Cash and Cash Equivalents and Concentration of Credit Risk

The Ministry considers all highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist principally of demand deposits at four commercial banks. The account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At June 30, 2017 and 2016, uninsured balances totaled \$1,247,955 and \$1,944,373, respectively.

The Ministry's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, receivables and the note payable. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Note Receivable

The carrying amount of the note receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected, when applicable. Management individually reviews all note receivable balances that exceed 90 days from the invoice date, and based on an assessment of current creditworthiness, past payment history and historical loss experience, management estimates the portion, if any, of the balance that will not be collected. Finally, the allowance is adjusted for management's estimate of any changes in future economic conditions that might give rise to results that differ from past experience. Interest income is recorded under the interest method in accordance with GAAP.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Allowance for Doubtful Accounts

The Ministry uses the allowance method to determine uncollectible grants receivable, unconditional promises to give and other receivables. The allowance is based on a number of factors including prior years' collection experience and management's analysis of specific accounts.

Investments

It is the Ministry's policy to sell donated stocks immediately upon receipt. Any investment income or loss (including realized and unrealized gains and/or losses, interest and dividends) is included in the statements of activities as an increase or decrease in unrestricted net assets unless restricted by donor or law.

Property and Equipment

It is the policy of the Ministry to capitalize expenditures for property and equipment in excess of \$1,000. Depreciation of property and equipment is provided over the estimated useful lives on the respective assets on a straight-line basis as follows:

Buildings and improvements	5 - 39 years
Land improvements	7 years
Equipment	3 - 7 years
Furniture and fixtures	7 years
Playground	10 years
Vehicles	5 years
Computers and software	3 - 7 years

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The fiscal 2016 write-down of the Ministry's construction work in progress – FEMA rebuilding is further described in Note 7. There were no asset impairments recognized during fiscal 2017.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. Nature of Organization and Significant Accounting Policies – Continued

Deferred Revenue

The Ministry occasionally receives sponsorship funds in advance for its annual fundraising event held in October. The amounts in deferred revenue liability represent sponsorships received for the subsequent fiscal year's event.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited based on estimated time spent on each function and other substantiated allocation methods.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Ministry is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Ministry has taken an uncertain position that would be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Ministry, and has concluded that as of June 30, 2017 and 2016, there were no uncertain positions taken or suspected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements. The IRS form 990's are subject to examination by the appropriate regulatory authorities for all open years, which typically include the last three years filed.

Reclassifications

Amounts previously reported have been reclassified to conform to the current year financial statement presentation.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. Government Grant Reimbursements Receivable

During 2005, Hurricane Katrina severely damaged Desire Street Ministries' facilities in New Orleans, Louisiana, and in 2008, Hurricane Gustav damaged the Ministry's temporary facility located in Baton Rouge, Louisiana. In 2011, the Ministry applied for and was awarded initial project grants totaling \$9.6 million from the U.S. Department of Homeland Security Federal Emergency Management Agency (FEMA) to repair the damage to its temporary facility and rebuild its facilities in New Orleans which included a school. The Ministry experienced ongoing difficulty in obtaining the school's charter, resulting in multiple project delays and putting the original grant at risk.

When FEMA announced a deadline for submission of alternate projects, the Ministry elected to present an alternate project plan to FEMA that did not include a school, and FEMA gave approval for the alternate project at the beginning of 2014. The purpose of the approved alternate project is to build a community center made up of three buildings: a medical center, a community wellness center and a child development center. As of June 30, 2017, the total project grants awarded with revisions for the Katrina Disaster was \$10.6 million.

The Ministry receives reimbursements for a portion of these rebuilding funds as well as for other damages (relating to costs incurred for temporary facilities, contents, etc.) from the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP). For the year ended June 30, 2017, the Ministry recognized a total of \$426,653 against the total grant awards and had cumulatively received a total of \$ 9.9 million in grant awards for the Katrina Disaster.

During 2016, all of the grants awarded for the Gustav Disaster were closed, and as of June 30, 2016, the Ministry had cumulatively received \$172,398 against the total awards for the Gustav disaster.

Receivables arise when eligible grant expenses are incurred. The Ministry's ability to collect reimbursable amounts is affected by the outside agencies' acceptance of reimbursable expenses, which must meet the grant requirements. Management believes that the government grant reimbursements receivable at June 30, 2017 are fully collectible and will be collected during fiscal 2018.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

2. Government Grant Reimbursements Receivable – Continued

At June 30, the following FEMA project receivables were outstanding:

2017		
Project Worksheet	Description	Amount
PW 19243	Desire Street Ministries Community Center	\$ 273,709
PW 19422	Desire Street Ministries Community Center - Contents	276,865
PW 21038	Desire Street Ministries Direct Administrative Costs	45,178
	Total government grant reimbursements receivable	\$ 595,752
2016		
Project Worksheet	Description	Amount
PW 19243	Desire Street Ministries Community Center	\$ 996,851
PW 19422	Desire Street Ministries Community Center - Contents	271,004
PW 19967	Temporary Facilities - Baton Rouge	28,947
PW 19689	Temporary Facilities - Florida	10,360
	Total government grant reimbursements receivable	\$ 1,307,162

3. Contributions and Pledges Receivable, net

Contributions and pledges receivable, net consist of the following at June 30:

	2017	2016
Pledges due within one year	\$ 268,486	\$ 135,000
Pledges due in two years	194,986	50,001
Pledges due in three years	144,986	-
Pledges due in four years	50,000	-
	658,458	185,001
Gross contributions and pledges receivable		
Present value discount (1% effective rate)	(12,715)	(1,942)
	645,743	183,059
Pledges and contributions receivable, net	\$ 645,743	\$ 183,059

Management believes all pledges and contributions receivable at June 30, 2017 are fully collectible. Therefore, no allowance for doubtful accounts has been established for these amounts.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

4. Conditional Promises to Give

During fiscal 2016, the Ministry received a pledge for \$250,000 toward the New Orleans rebuilding expenditures that would not be reimbursed as part of the Ministry's FEMA disaster grant described in Note 2. The pledge was contingent upon the Ministry's receiving one-to-one matching support for the project, and it is payable through fiscal 2019 as matching requirements are met. Since these amounts represent conditional promises to give, they are not recorded as contribution revenue until the donor conditions are met. At June 30, 2016, the Ministry had a conditional promise to give of \$100,000 as only a portion of the condition had been met. During fiscal 2017, the remaining condition was met, and there were no conditional promises to give remaining at June 30, 2017.

5. Note Receivable, Net

In 2012, Desire Street Ministries sold a building it owned in Baton Rouge, Louisiana. The building had been purchased in 2006 as a temporary home for Desire Street Academy which subsequently closed in 2009.

In connection with the sale of this property and the closing of the Academy, the Ministry had entered into the following note as of June 30:

	2017	2016
Note from a Charter School dated March 2012 with an original balance of \$1,272,500 at a rate of 6%; due in monthly installments of \$14,127 beginning May 2012; three year note based on ten year amortization schedule with a maturity date of April 2015; extended to mature in December 2018 with a prospective rate increase to 6.25%; collateralized by certain real estate in Baton Rouge, LA.	\$ 724,109	\$ 836,068
Less: Allowance for uncollectible account	(81,750)	(1,750)
	\$ 642,359	\$ 834,318

In August 2017, the note receivable went into default as the Charter School was no longer a viable entity. The note has been placed on a non-accrual status and conversations are underway with the borrower to determine how their debt can be satisfied. The note is secured by a 23-acre tract of land with buildings located in the East Baton Rouge Parish of New Orleans, Louisiana. Management believes that the underlying collateral is sufficient to cover the outstanding note receivable balance, but has established an allowance for doubtful accounts for estimated legal fees and other costs that may result from the collection process.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

6. Property and Equipment, Net

The following is a summary of property and equipment, net at cost as of June 30:

	2017	2016
Buildings and improvements	\$ 3,575,224	\$ 233,560
Land and improvements	309,200	309,201
Equipment	58,726	37,274
Furniture and fixtures	8,943	3,753
Playground	74,746	74,746
Vehicles	31,052	31,052
Computers and software	83,236	81,200
	4,141,127	770,786
Less accumulated depreciation	(342,108)	(163,960)
	3,799,019	606,826
Construction work in progress - FEMA rebuilding	-	3,109,686
Property and equipment, net	\$ 3,799,019	\$ 3,716,512

Depreciation expense for the years ended June 30, 2017 and 2016 was \$178,148 and \$25,580, respectively.

Amounts in construction work in progress – FEMA rebuilding at June 30, 2016 relate to the demolition, planning and construction of the multi-building complex in New Orleans, Louisiana, as further described in Note 2. On October 28, 2016, the Ministry received the Certificate of Occupancy for the new buildings in New Orleans, Louisiana as further described in Notes 2 and 7, and the buildings were placed into service on November 1, 2016.

7. Impairment of Land and Building

For the year ended June 30, 2016, the Ministry reduced its construction work in process – FEMA rebuilding, included in property and equipment net, by \$6,012,560. In accordance with the Ministry’s mission, the purpose of the building project (as further described in Notes 2 and 6) was to provide a facility offering much-needed services to the under-resourced neighborhood of the Upper Ninth Ward in New Orleans. Since this under-resourced community continues its struggle to emerge from the Hurricane Katrina disaster, and due to expected additional construction costs incurred including FEMA project management and supervision, management determined that the \$9,122,246 carrying value of the constructions work in progress – FEMA rebuilding was not recoverable and was in fact impaired, and reduced the carrying value of the asset to its estimated fair value of \$3,109,686 at June 30, 2016. Management’s assessment of fair value was based on Level 3 inputs in accordance with ASC 820, and takes into account the appraisal of the property done by an experienced, independent third-party appraisal company, using the sales comparison approach and the cost approach. The loss is reflected in the statement of activities as of June 30, 2016 as impairment of land and building.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

8. Debt

On June 23, 2016, the Ministry obtained a \$500,000 note payable from a private individual that is due June 23, 2026 and bears interest at 2 percent. Interest only payments are payable annually each June.

In May 2016, the Ministry obtained a bank line-of-credit for \$2,000,000 which bears interest at a rate of prime plus .5% with a maturity date of May 5, 2018. As of June 30, 2017 and 2016, there had been no borrowings on this line-of-credit.

9. Operating Leases

The Ministry currently leases certain equipment and office space under non-cancelable operating leases. Total rent expense under these operating leases for the years ended June 30, 2017 and 2016 was \$51,775 and \$19,992, respectively.

The aggregate future minimum lease payments for the operating leases are as follows:

Year ended June 30,	
2018	\$ 65,914
2019	24,897
	\$ 90,811

10. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of cash contributions and pledges receivable the Ministry has received subject to donor imposed restrictions consisting of the following at June 30:

	2017	2016
Program restrictions:		
Strategic Partners	\$ 50,000	\$ 22,700
Thriving Index	8,944	8,944
Building project	430,000	175,000
Total program purpose restrictions	488,944	206,644
Internships and staff	124,958	-
Multi-year contribution and other time restricted	20,000	-
Total temporarily restricted net assets	\$ 633,902	\$ 206,644

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

11. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended June 30:

	2017	2016
Program restriction accomplished:		
Strategic Partner	\$ 70,870	\$ 55,601
Partner retreats	4,500	700
Building project	303,326	283,968
Total program restriction releases	378,696	340,269
Other releases of restrictions:		
Internship and staff	50,042	-
Multi-year contribution and other time restricted	-	50,000
Total net assets released from restrictions	\$ 428,738	\$ 390,269

12. Commitments and Contingencies

The Ministry receives financial assistance from federal agencies, which can be subject to compliance audits under the Uniform Guidance (Single Audit) and monitoring review by the granting agencies. Such agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the federal programs. As a result, amounts might be subject to disallowance upon acceptance of the audits and monitoring reviews by the federal granting agencies. For conservatism and due to the nature and uncertainty of the large government grant receipts in fiscal 2016, the Ministry had established a \$337,000 reserve for grant close-out adjustments as of June 30, 2016, as reflected in the statement of functional expenses. Based on reconciliations with GOHSEP in fiscal 2017, the reserve was reduced to \$95,287 at June 30, 2017.

For the years ended June 30, 2017 and 2016, the Organization received approximately 15% and 81%, respectively, of its current year revenue through federal government funding. Receivables arise from reimbursements owed through these government contracts as further described in Note 2. The Organization's ability to collect amounts due is affected by the outside agencies' acceptance of reimbursable expenses and performance-based outcomes which meet contract requirements.

During August 2015, the Ministry entered into an agreement with a general contractor in the amount of \$8 million for construction services related to the multi-building project under the FEMA disaster grant as further described in Note 2. As of June 30, 2017, the entire contract amount less \$477,381 in change orders had been paid.

DESIRE STREET MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

13. Retirement Plan

During fiscal 2015, the Ministry established a 403(b) Pension Plan that covers substantially all employees who are twenty-one years of age or older and have completed at least one year of service. Each employee is fully vested upon entrance to the plan. The plan provides for participant contributions up to the maximum allowed under the Internal Revenue Code. The Ministry may make matching contributions at the discretion of the Board of Directors.

14. Subsequent Events

Subsequent events have been evaluated by management through December 6, 2017, which is the date the financial statements were available to be issued, and there were no subsequent events other than that described in Note 5.

DESIRE STREET MINISTRIES

AGREED-UPON PROCEDURES
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Desire Street Ministries
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Desire Street Ministries (the Ministry) 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 July 1, 2016 through June 30, 2017. The Ministry's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained the Ministry's written policies and procedures, and inspected the policies and procedures for the following financial/business functions:
 - 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***, including receiving, recording, and preparing deposits
 - 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 cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Written Policies and Procedures – Continued

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) Electronic Municipal Market Access (EMMA) reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

We found that the Ministry's policies and procedures addressed each of the above financial/business functions, with the exception of procedures i) and j), which are not applicable to the Ministry.

Board (or Finance Committee, if applicable)

- 2. We obtained the Board of Director's minutes for the year ended June 30, 2017, which included the following dates: August 26, 2016, November 18, 2016, February 24, 2017 and May 12, 2017. We examined the minutes for the following:
 - a) Whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis), and whether the budget-to-actual comparisons show that management was deficit spending during the fiscal period.
 - c) Whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We found that the Board of Directors met in a frequency in accordance with its By-Laws, which is at least four times per year. All minutes referenced budget-to-actual comparisons and non-budgetary financial information. Budget-to-actual comparisons did not show deficit spending.

Bank Reconciliations

- 3. We obtained a listing of the Ministry's bank accounts from management and management's representation that the listing is complete.

We found no exceptions as a result of the procedures.
- 4. Using the listing provided by management, we selected the following bank accounts relevant to public funds. For each bank account selected, we obtained bank statements and reconciliations for all months in the fiscal period and examined for whether:
 - a) Bank reconciliations had been prepared;
 - b) involvement in the transactions associated with the bank account) had reviewed each bank reconciliation; and

Bank Reconciliations – Continued

- c) If applicable, management had documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Bank Accounts

Private Bank of Buckhead Operating Account
Private Bank of Buckhead Money Market
Whitney Bank Operating Account
State Bank Operating Account

We found no exceptions as a result of the procedures. Each reconciliation included the approval of the Director of Finance as preparer and the Chief Operating Officer as reviewer. No reconciling items had been outstanding for more than 6 months as of the end of the fiscal period.

Collections

- 5. We obtained management’s representation that all public funds were received electronically by the Ministry, and there were no cash collections of public funds.

We found no exceptions as a result of the procedures.

- 6. This procedure is not applicable since all public funds were received electronically, and there were no cash collections of public funds, as described in #5 above. As alternative procedures on receipts of public funds, we obtained the general ledger detail of electronic deposits of public funds from management. We selected the week with the highest dollar of electronic deposits as follows, and agreed each deposit to the Request for Reimbursement and to deposit in the corresponding bank statement.

<u>Deposit Date</u>	<u>Amount</u>
10/3/2016	\$ 477,864.43
10/3/2016	19,952.34
10/4/2016	57,408.11
	<u>\$ 555,224.88</u>

We found no exceptions as a result of these procedures.

- 7. We obtained the Ministry’s Accounting Policies and Procedures Manual and examined for whether the Ministry has a process specifically defined to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions by a person who is not responsible for collections.

We found no exceptions as a result of the procedure. Page 26 of the Ministry’s Accounting Policies and Procedures Manual identifies and determines that the Ministry will engage a contracted project manager with expertise in Federal Grant Administration, and the project manager will monitor and prepare the required progress reports in the code section. The Ministry’s FEMA Grant Coordinator will also be familiar with and will monitor the activities of the contracted project manager.

Disbursements – General (excluding credit card/debit card/fuel card/Purchase Card (P-Card) purchases or payments)

8. We obtained a filtered general ledger listing from management of the Ministry’s disbursements related to public funds for the fiscal year ended June 30, 2017.

We found no exceptions as a result of the procedure.

9. Using the disbursement population from #8 above, we randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained and examined the request for payment, invoice and/or other supporting documentation for each transaction to determine whether it demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

A summary of the selected disbursements is as follows:

<i>Payment Date</i>	<i>Payee</i>	<i>Amount</i>
07/26/16	Donahue Favret Contractors	\$ 463,332.00
08/22/16	Donahue Favret Contractors	52,524.00
11/10/16	Donahue Favret Contractors	385,866.00
01/11/17	Donahue Favret Contractors	88,665.00
07/12/16	PSI	5,758.40
07/16/16	Blicht Knevel Architects	33,828.28
02/20/17	Blicht Knevel Architects	13,112.63
08/01/16	PSI	1,153.00
09/07/16	Dell Marketing	1,297.78
08/11/16	Discount School Supply	2,895.73
09/07/16	Sulzer Group	12,166.98
05/25/17	Sulzer Group	60,284.75
03/24/17	Sulzer Group	10,506.25
09/10/16	Kaplan Early Learning Company	1,172.56
08/11/16	The Office Planning Group	15,951.13
07/08/16	Home Depot	820.60
07/15/16	Home Depot	1,685.06
12/13/16	Kaplan Early Learning Center	2,046.53
09/07/16	Dell Marketing	3,239.47
09/07/16	Dell Marketing	1,745.23
12/13/16	Kaplan Early Learning Company	7,575.28
10/09/16	Home Depot	189.03
09/07/16	Dell Marketing	1,369.52
09/07/16	Dell Marketing	824.95
09/07/16	Dell Marketing	438.03
		<u>\$ 1,168,448.19</u>

We found no exceptions as a result of these procedures.

Disbursements – General (excluding credit card/debit card/fuel card/Purchase Card (P-Card) purchases or payments) – Continued

10. We evaluated whether the Ministry's formal documentation specifies that the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

We found no exceptions as a result of the procedures. The Chief Operating Officer authorizes disbursements, and the Director of Finance adds new vendors. The Chief Operating Officer does not have system access to add new vendors.

11. We evaluated whether the Ministry's formal documentation specifies that the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We found that the Director of Finance prints the checks, and the Chief Operating Officer signs them. Other authorized check signers for backup purposes are: the Executive Director and Director of Advancement. Thus, persons with signatory authority have no responsibility for initiating or recording the purchases.

12. We inquired of management and observed whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority.

We found that blank checks are kept in a locked file cabinet in the Director of Finance's office, and the Director of Finance does not have signatory authority.

13. We inquired as to whether a signature stamp or signature machine was used, and if so, whether the signor's signature is maintained under his or her control or is used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

We found that no signature stamp or signature machine was used. Signed checks are maintained under the control of the signer or other authorized employee until mailed.

Credit Cards/Debit Cards/Fuel Cards/Purchasing Cards

14. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and purchasing cards (P-cards), including the card numbers and the names of the persons who maintained possession of the cards, and we obtained management's representation that the listing is complete.

We found no exceptions as a result of these procedures.

15. Using the listing prepared by management, we found that 4 of the credit cards were used for disbursements related to public funds during the fiscal year ended June 30, 2017, and we selected these 4 for testing.

We obtained the monthly statements for the selected credit cards. We selected the monthly statement with the largest dollar activity for each card and:

- a) Examined for whether there was evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
- b) Examined for whether finance charges and/or late fees were assessed on the selected statements.

Credit Cards/Debit Cards/Fuel Cards/Purchasing Cards – Continued

A summary of the selected credit card statements is as follows:

<i>Payment Date</i>	<i>Statement</i>	<i>Statement Amount</i>
08/18/16	Sara Pace - Whitney Credit Card	\$ 11,785.30
08/18/16	Dana Ponder - Whitney Credit Card	9,804.91
07/27/16	Sara Pace - Regions Credit Card	24,551.41
11/04/16	Danny Wuerffel - Regions Credit Card	14,258.44
		<u>\$ 60,400.06</u>

We found that each selected statement had approval by someone other than the authorized card holder. We also found no finance charges or late fees on any of the selected statements.

16. Using the monthly statements selected in #15 above, we obtained supporting documentation for all transactions for each of the 4 cards selected (i.e. each of the 4 cards had one month of transactions subject to testing).
 - a) For each transaction, we evaluated whether the transaction is supported by:
 - An original itemized receipt (i.e., identifying precisely what was purchased)
 - Documentation of the business/public purpose. There were no meal charges purchased using public funds.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - b) For each transaction, we compared the transaction’s detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Ministry’s written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes).
 - c) For each transaction, we compared the Ministry’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

We found no exceptions as a result of the procedures.

Travel and Expense Reimbursement

17. We obtained management’s representation that public funds are not used for travel related expenses and reimbursements.

No exceptions were found as a result of this procedure. The remainder of this procedure is not applicable since public funds are not used for travel related expenses and reimbursements, as described above.

18. This procedure is not applicable since public funds are not used for travel related expenses and reimbursements, as further described in #17 above.
19. This procedure is not applicable since public funds are not used for travel related expenses and reimbursements, as further described in #17 above.

Contracts

20. We obtained a vendor listing which we sorted with management’s assistance to obtain all contract payments related to public funds during the fiscal period ended June 30, 2017. We obtained management’s representation that the listing is complete.

No exceptions were noted as a result of the procedures.

21. Using the listing obtained in #20 above, we noted the following three contract “vendors” that were paid using public funds during the fiscal period ended June 30, 2017 (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:

- a) Examined for whether there was a formal/written contract that supports the services arrangement and the amount paid.
- b) Compared each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Evaluated whether each contract is subject to the Louisiana Public Bid Law or Procurement Code. Obtained supporting contract documentation and evaluated whether the entity solicited quotes as a best practice.
- c) Examined whether the contract was amended. If so, evaluated the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Selected the largest payment from each of the three contracts as follows, obtained the supporting invoice, compared the invoice to the contract terms, and determined whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

<i>Payment Date</i>	<i>Vendor</i>	<i>Invoice Amount</i>
07/16/16	Blitch Knevel Architects, Inc.	\$ 33,828.28
07/26/16	Donahue Favret Contractors, Inc.	463,332.00
05/25/17	Sulzer Group, LLC	60,284.75
		<u>\$ 557,445.03</u>

We found no exceptions as a result of the procedures. All vendors selected above had a formal/written contract to support the services arrangement and the amount paid. We found that the contracts were not subject to the Louisiana Public Bid Law because the Ministry is not a public entity, as defined, and the contracts were not subject to the Louisiana Procurement Code because the Ministry is not an executive branch agency of the State, as defined. In regards to soliciting quotes as a best practice, we found that the Ministry met its procurement policies, which meet or exceed that of the Code of Federal Regulations 44 CFR 13.36 and Louisiana Administrative Procedures Act (LAPA). The contract with Sulzer Group, LLC dated November 8, 2010 was amended twice to extend the time period of the contract and to add related additional fees of \$119,000. We observed that the original contract provided for such an extension of the contract. The largest payments for each contract vendor agreed with the supporting invoice. We found that each invoice and related payment selected above complied with the terms and conditions of the contract. In regards to Board approval, we found that the Ministry met its procurement policies, which meet or exceed that of 44 CFR 13.36 and LAPA.

Payroll and Personnel

22. We obtained management's representation that public funds are not used for payroll or personnel related expenses.

We found no exceptions as a result of this procedure. The remainder of this procedure is not applicable since public funds are not used for payroll or personnel related expenses, as described above.

23. This procedure is not applicable since public funds are not used for payroll or personnel related expenses, as further described in #22 above.
24. This procedure is not applicable since public funds are not used for payroll or personnel related expenses, as further described in #22 above.
25. This procedure is not applicable since public funds are not used for payroll or personnel related expenses, as further described in #22 above.

Ethics (excluding nonprofits)

26. This procedure is not applicable since the Ministry is a nonprofit.
27. This procedure is not applicable since the Ministry is a nonprofit.

Debt Service (excluding nonprofits)

28. This procedure is not applicable since the Ministry is a nonprofit.
29. This procedure is not applicable since the Ministry is a nonprofit.
30. This procedure is not applicable since the Ministry is a nonprofit.

Other

31. We inquired of management as to whether the entity had any misappropriations of public funds or assets.

We found no misappropriations of public funds based on inquiry of the Director of Finance.

32. We observed whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Since the Ministry was no longer making expenditures that were reimbursed by government funds at the time of our procedures, we observed that the notice required by R.S. 24:523.1 was no longer required to be posted on the premises or website, and thus, this procedure is not applicable.

33. We observed whether there were any exceptions regarding management's representations in the procedures above.

We found no exceptions regarding management's representations in the procedures above.

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

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

Atlanta, Georgia
December 6, 2017

Brooks, McAnnis & Company, LLC

FINDINGS AND RECOMMENDATIONS

We observed whether the entity met the required due date for submission of the audit and agreed-upon procedures report to the Louisiana Legislative Auditor (LLA).

We found that the audit and agreed-upon procedures report was not submitted to the LLA by the required due date which is within 6 months after the fiscal year end. Details are as follows:

Condition: During our audit and agreed upon procedures engagements for the year ended June 30, 2017, we noted that management delayed the submission of its audit and agreed-upon procedures report, which was not submitted to the Louisiana Legislative Auditor (LLA) by the required due date of December 31, 2017.

Criteria: The audit law (Louisiana Revised Statute (R.S.) 24:513 and 24:514) establishes that the due dates of local auditee audit reports are due to the LLA no later than six months after the local auditee's fiscal year end.

Cause: Although management had initially completed in a timely manner its financial statements for the year ended June 30, 2017, management delayed the submission of its required reports to the LLA because the State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) subsequently notified the sub-recipient of a potential close-out adjustment after year end. As this potential adjustment could have a material impact on the financial statements as drafted, management needed to analyze the impact and remedies prior to finalizing the financial statements. Unfortunately, as this notification occurred in late November 2017, all the parties involved could not be marshalled until after the December 31, 2017 LLA due date.

Effect: Failure to submit the required reports to the LLA delays its availability to regulatory agencies and taxpayers, and financial information loses its value as time passes.

Recommendation: We recommend that measures be taken to ensure timely submission of the required annual reports to the LLA.

Management Response and Corrective Action Plan: Management understands that timeliness is a vital component of good financial reporting. While there are procedures in place to ensure the timely completion of the financial statements, a back-up process to evaluate and respond to any subsequent events in a timely manner will be developed so that these unforeseen occurrences do not impact timeliness of submission to the LLA in the future.