

**RECONCILE NEW ORLEANS, INC.
AND SUBSIDIARIES**

Audits of Consolidated Financial Statements

December 31, 2021 and 2020



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Independent Auditor's Report

To the Board of Directors
Reconcile New Orleans, Inc. and Subsidiaries
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Reconcile New Orleans, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2022 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
June 2, 2022

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 908,041	\$ 915,708
Accounts Receivable, Net	859,716	955,658
Prepaid Expenses and Other Assets	9,512	8,740
Total Current Assets	1,777,269	1,880,106
Property and Equipment, Net	3,935,401	4,061,293
Total Assets	\$ 5,712,670	\$ 5,941,399
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 94,251	\$ 70,317
Deferred Revenue	-	10,000
Salaries, Taxes, and Withholdings Payable	54,527	73,114
Notes Payable, Current Portion	19,747	19,260
Total Current Liabilities	168,525	172,691
Long-Term Liabilities		
Notes Payable, Less Current Maturities	996,457	1,015,266
Total Long-Term Liabilities	996,457	1,015,266
Total Liabilities	1,164,982	1,187,957
Net Assets		
Without Donor Restrictions	4,094,688	3,915,192
With Donor Restrictions	453,000	838,250
Total Net Assets	4,547,688	4,753,442
Total Liabilities and Net Assets	\$ 5,712,670	\$ 5,941,399

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants	\$ 206,506	\$ 453,000	\$ 659,506
Total Support	206,506	453,000	659,506
Revenues and Gains			
Restaurant Sales	227,878	-	227,878
Catering Sales	128,457	-	128,457
Contributions and Donations	620,810	-	620,810
Service Charges	2,690	-	2,690
Other	493,679	-	493,679
Federal/State Funding	808,897	-	808,897
Rental Income	617	-	617
	2,283,028	-	2,283,028
Net Assets Released from Restrictions	838,250	(838,250)	-
Total Revenues and Gains	3,121,278	(838,250)	2,283,028
Total Support and Revenues and Gains	3,327,784	(385,250)	2,942,534
Expenses			
Program Expenses			
Workforce Development Program	2,226,852	-	2,226,852
Supporting Services			
Management and General	641,816	-	641,816
Fundraising	279,620	-	279,620
Total Expenses	3,148,288	-	3,148,288
Change in Net Assets	179,496	(385,250)	(205,754)
Net Assets, Beginning of Year	3,915,192	838,250	4,753,442
Net Assets, End of Year	\$ 4,094,688	\$ 453,000	\$ 4,547,688

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants	\$ 445,895	\$ 87,000	\$ 532,895
Total Support	445,895	87,000	532,895
Revenues and Gains			
Restaurant Sales	127,227	-	127,227
Catering Sales	265,938	-	265,938
Contributions and Donations	512,096	-	512,096
Service Charges	2,813	-	2,813
Other	295,448	-	295,448
State Funding	645,215	-	645,215
Rental Income	30,351	-	30,351
	1,879,088	-	1,879,088
Net Assets Released from Restrictions	710,199	(710,199)	-
Total Revenues and Gains	2,589,287	(710,199)	1,879,088
Total Support and Revenues and Gains	3,035,182	(623,199)	2,411,983
Expenses			
Program Expenses			
Workforce Development Program	1,515,929	-	1,515,929
Supporting Services			
Management and General	922,117	-	922,117
Fundraising	228,735	-	228,735
Total Expenses	2,666,781	-	2,666,781
Change in Net Assets	368,401	(623,199)	(254,798)
Net Assets, Beginning of Year	3,546,791	1,461,449	5,008,240
Contributions	91,710	-	91,710
Distributions	(91,710)	-	(91,710)
Net Assets, End of Year	\$ 3,915,192	\$ 838,250	\$ 4,753,442

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services		Supporting Services		Total
	Workforce Development Program	Management and General	Fundraising		
Salaries	\$ 968,876	\$ 315,965	\$ 178,222	\$ 1,463,063	
Employee Benefits	191,796	74,244	43,309	309,349	
Building and Equipment Repairs	271,429	-	-	271,429	
Depreciation	-	192,609	-	192,609	
Cost of Sales - Food and Beverage	172,172	207	-	172,379	
Contractual Services and Professional Fees	116,243	37,467	6,629	160,339	
Student Assistance Expense	156,411	-	-	156,411	
Utilities	126,206	-	-	126,206	
Operating Supplies	60,269	1,998	11,049	73,316	
Grant Writing Expense	25,470	-	20,600	46,070	
Insurance	27,370	10,595	6,180	44,145	
Meals - Employee	28,341	2,991	1,745	33,077	
Marketing and Public Relations	11,368	215	4,557	16,140	
Telephone	13,249	-	-	13,249	
Technology and Software Maintenance	12,416	-	-	12,416	
Other	4,275	600	6,525	11,400	
Credit Card Fees	9,372	1,373	-	10,745	
Interest and Bank Service Charges	9,756	-	-	9,756	
Fees, Dues, and Subscriptions	3,641	3,470	804	7,915	
Uniforms	5,604	-	-	5,604	
Equipment Rental	4,944	-	-	4,944	
Volunteer Expense	3,187	-	-	3,187	
Postage and Delivery	2,209	-	-	2,209	
Storage	1,948	-	-	1,948	
Travel	300	82	-	382	
Total	\$ 2,226,852	\$ 641,816	\$ 279,620	\$ 3,148,288	

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services		Supporting Services		Total
	Workforce Development Program	Management and General	Fundraising		
Salaries	\$ 795,450	\$ 472,174	\$ 158,045	\$ 1,425,669	
Employee Benefits	164,671	62,732	33,980	261,383	
Depreciation	-	191,389	-	191,389	
Cost of Sales - Food and Beverage	75,876	94,367	-	170,243	
Contractual Services and Professional Fees	102,061	53,696	5,876	161,633	
Student Assistance Expense	96,660	-	-	96,660	
Utilities	89,267	2,600	-	91,867	
Insurance	27,996	10,665	5,777	44,438	
Operating Supplies	31,778	5,358	6,004	43,140	
Building and Equipment Repairs	37,461	-	-	37,461	
Marketing and Public Relations	13,623	4,928	4,094	22,645	
Grant Writing Expense	13,500	-	7,968	21,468	
Meals - Employee	13,013	2,881	1,557	17,451	
Other	9,982	4,135	-	14,117	
Fees, Dues, and Subscriptions	7,095	4,867	900	12,862	
Telephone	12,241	-	-	12,241	
Technology and Software Maintenance	6,982	-	3,534	10,516	
Interest and Bank Service Charges	-	8,615	-	8,615	
Credit Card Fees	6,859	1,463	-	8,322	
Uniforms	4,528	34	-	4,562	
Equipment Rental	3,579	-	-	3,579	
Postage and Delivery	2,607	-	-	2,607	
Storage	-	1,908	-	1,908	
Travel	700	305	-	1,005	
Volunteer Expense	-	-	1,000	1,000	
Total	\$ 1,515,929	\$ 922,117	\$ 228,735	\$ 2,666,781	

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ (205,754)	\$ (254,798)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	192,609	191,389
Loss on Disposal of Property and Equipment	-	2,600
Payroll Protection Program Loan Forgiveness	(281,252)	(257,900)
(Increase) Decrease in Operating Assets		
Accounts Receivable, Net	95,942	682,533
Prepaid Expenses and Other Assets	(772)	9,030
Inventory	-	4,102
Increase (Decrease) in Operating Liabilities		
Accounts Payable	23,934	(39,607)
Deferred Revenue	(10,000)	(10,000)
Salaries, Taxes, and Withholdings Payable	(18,587)	43,479
Net Cash (Used in) Provided by Operating Activities	(203,880)	370,828
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(66,717)	(6,106)
Net Cash Used in Investing Activities	(66,717)	(6,106)
Cash Flows from Financing Activities		
Payments on Notes Payable	(18,322)	(19,489)
Proceeds from Issuance of Payroll Protection Program Loan	281,252	257,900
Net Cash Provided by Financing Activities	262,930	238,411
Net (Decrease) Increase in Cash	(7,667)	603,133
Cash, Beginning of Year	915,708	312,575
Cash, End of Year	\$ 908,041	\$ 915,708
Supplemental Disclosure of Cash Flow Information		
Interest Expense Paid During the Year	\$ 4,923	\$ 5,869

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

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Background and General Data

Reconcile New Orleans, Inc. (RNO) is a not-for-profit organization with the mission to transform the lives of young adults and the community through the ministry of reconciliation. RNO was initially founded as LSF Foundation named Desire, Inc., incorporated on January 10, 1997 and changed to its current corporate name on October 21, 2002. RNO's Workforce Development Program provides on the job training in the hospitality industry, life skill instruction, and ongoing mentoring to connect program participants to employment or other wrap around supports.

RNO operates through its wholly-owned subsidiaries:

- Reconcile New Orleans, Inc. operates a restaurant business and also houses most corporate functions, such as accounting, HR, marketing, and executive offices.
- Café Reconcile Catering, LLC (Catering) caters events of varying sizes throughout the New Orleans metropolitan area. This entity was dissolved on December 6, 2021.
- Café Reconcile Landlord, LLC (Landlord) leased land and property from RNO and subleased said property and land to Café Reconcile Tenant, LLC. This entity was dissolved on November 2, 2020.
- Café Reconcile Tenant, LLC (Tenant) leased land and property from Landlord. This entity was dissolved on November 2, 2020.
- Reconcile New Orleans Investments, LLC (Investments) held RNO's interest in Tenant. This entity was dissolved on December 9, 2021.

The dissolved entities are no longer doing business, owe debt, or own assets. Any remaining assets, liabilities, and net assets were transferred to RNO at this date.

Basis of Accounting

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

Note 2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include RNO's wholly-owned subsidiaries, through the dates they were dissolved. RNO has direct authority to determine the financial and operating functions for these entities. The assets, liabilities, revenue, and expenses of the individual subsidiaries are fully consolidated. All intercompany balances and transactions are eliminated at the consolidated financial statement level.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying financial statements have been prepared to focus on RNO as a whole and to present its net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of RNO and changes therein are classified and reported in two classes of net assets - without donor restrictions and with donor restrictions, as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of RNO are included in this category.

Net Assets With Donor Restrictions - Net assets that include gifts and contributions for which donor-imposed restrictions have not been met. Some income is reflected in net assets with donor restrictions until utilized for donor-imposed restrictions.

Expiration of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Expenses are reported as a decrease in net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Accordingly, actual reported amounts of revenues and expenses during the reporting period could differ from those estimates.

Cash

For the purposes of the statement of cash flows, RNO considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2021 or 2020.

Revenue Recognition

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, requires revenues to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services. This standard does not impact RNO's recognition of revenue from restaurant or catering sales as those sales are recognized on a cash basis at the time of the underlying sale and are presented net of sales tax and other sales-related taxes. Rental income is also not impacted by this standard as those revenues are subject to the guidance in ASC 840, *Leases*.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions, Donations, and Grants

Contributions, donations, and grants are recorded as revenue when an unconditional promise to give has been made. Contributions, donations, and grants are considered available for RNO's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as increases in net assets with donor restrictions. Amounts received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions.

State Funding

A portion of RNO's revenue is derived from cost-reimbursable state contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when RNO has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding accounts receivable and charges to expense any balances that are determined to be non-collectible or establishes an allowance for doubtful accounts. There was no allowance for doubtful accounts at December 31, 2021 and 2020.

Property and Equipment

Land, buildings, building improvements, furniture and fixtures, and equipment are recorded at cost or estimated cost. Donated items received are recorded at the fair value at time of receipt. RNO capitalizes all fixed asset acquisitions greater than \$1,000. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. Equipment purchased with grant funds that revert to the funding source are expensed at time of acquisition without consideration of cost. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

Buildings, building improvements, furniture and fixtures, and equipment are depreciated using the straight-line method and the following estimated useful lives:

Assets	Estimated Useful Lives
Buildings	20 Years
Building Improvements	15 Years
Furniture and Fixtures	5 Years
Equipment	5 Years
Other Assets	5 Years

Impairment of Long-Lived Assets

RNO reviews its long-lived assets, including property and equipment and other intangibles, for impairment when an event or change in facts and circumstances indicates that their carrying amount may not be recoverable, but at least annually. RNO determines recoverability of the assets by comparing the carrying amount of the asset to net future undiscounted cash flows that the asset is expected to generate or estimated fair values in the case of nonrevenue generating assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. There were no such charges for impairment during the years ended December 31, 2021 and 2020.

Income Taxes

RNO is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain.

RNO believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising Expense

RNO expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2021 and 2020 totaled \$6,159 and \$7,423, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, cost of sales - food and beverage, contractual services and professional fees, operating supplies, grant writing expense, insurance, meals - employee, marketing and public relations, credit card fees, fees, dues and subscriptions, travel, and other, which are allocated on the basis of estimates of time and effort.

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard also provides a number of practical expedients. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2021. Management is currently evaluating the impact of the pending adoption of the new standard on its financial statements, as well as the election of any available practical expedients and the manner of the modified retrospective transition approach.

Note 3. Grants Receivable

Grants receivable at December 31, 2021 and 2020, totaled \$481,875 and \$751,250, respectively, and is included in accounts receivable, net on the consolidated statements of financial position. This amount represents grants pledged, but not yet received. Grants receivable are primarily from pledges that have a time restriction attached to them.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4. Concentration of Risk

RNO periodically maintains deposits in financial institutions that exceed the insured amount of \$250,000 by the U.S. Federal Deposit Insurance Corporation (FDIC). RNO believes it is not exposed to any significant credit risk to cash. At December 31, 2021 and 2020, the amount RNO had in excess of the FDIC insured limit totaled \$310,361 and \$189,916, respectively.

Note 5. Property and Equipment, Net

At December 31, 2021 and 2020, property and equipment consisted of the following:

	2021	2020
Land	\$ 264,402	\$ 264,402
Buildings and Improvements	4,790,170	4,777,942
Furniture and Fixtures	531,107	473,310
Equipment	617,401	628,657
Other Assets	12,250	12,250
	<u>6,215,330</u>	<u>6,156,561</u>
Less: Accumulated Depreciation	<u>(2,279,929)</u>	<u>(2,095,268)</u>
Total Property and Equipment, Net	<u>\$ 3,935,401</u>	<u>\$ 4,061,293</u>

Depreciation expense totaled \$192,609 and \$191,389 for the years ended December 31, 2021 and 2020, respectively.

Note 6. Commitments and Contingencies

RNO is a recipient of grants which are governed by contractual agreements. The administration of the programs and activities funded by the grants are under the control and administration of RNO and subject to audit and/or review by the applicable funding source. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are for the following purposes or periods.

	2021	2020
Subject to Expenditure for Specific Purpose		
Efforts to Outcome Data Project	\$ -	\$ 32,000
Racial Equity Initiatives	-	25,000
Alternative Employment Pathways	-	30,000
Executive Coaching	3,000	-
	<u>3,000</u>	<u>87,000</u>
Subject to the Passage of Time		
Available for General Use	450,000	751,250
	<u>450,000</u>	<u>751,250</u>
Total	\$ 453,000	\$ 838,250

Note 8. Net Assets Released from Restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2021	2020
Subject to Expenditure for Specific Purpose		
Increasing Mental Health Effectiveness	\$ -	\$ 3,400
Increasing Employee Retention and Quality of Life	-	73,049
Efforts to Outcome Data Project	32,000	-
Racial Equity Initiatives	25,000	-
Alternative Employment Pathways	30,000	-
	<u>87,000</u>	<u>76,449</u>
Subject to the Passage of Time		
Available for General Use	751,250	633,750
	<u>751,250</u>	<u>633,750</u>
Total	\$ 838,250	\$ 710,199

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Notes Payable

At December 31, 2021 and 2020, notes payable consisted of the following:

	2021	2020
On November 8, 2011, RNO executed a promissory note payable to Gulf Coast Housing Development, Inc. in the sum of \$765,828 to bear an interest rate of 0% through maturity at December 31, 2041. The entire principal balance of the note is due and payable in full at the earlier of December 31, 2041 or upon sale or refinance of the loan.	\$ 765,828	\$ 765,828
Also, on November 8, 2011, RNO entered into a note payable with New Orleans Redevelopment Authority, a public entity, for \$350,000 to pay costs and expenses associated with the rehabilitation of the building located at 1631 Oretha Castle Haley Boulevard with a stated interest rate of 2% per annum. The note matures on the earlier of the borrower's sale or refinance of the property or fifteen (15) years from the date of issuance of the building's temporary or permanent certificate of occupancy, not to exceed sixteen (16) years from the date of the loan agreement. Such payments shall commence one (1) year following issuance of a temporary or permanent certificate of occupancy. The loan is payable in monthly installments.	<u>250,376</u>	268,698
Total Notes Payable	1,016,204	1,034,526
Less: Current Portion of Notes Payable	<u>(19,747)</u>	(19,260)
Total Notes Payable, Less Current Maturities	<u>\$ 996,457</u>	\$ 1,015,266

Future scheduled maturities of notes payable are as follows:

Year Ending December 31,	Amount
2022	\$ 19,747
2023	20,246
2024	20,758
2025	21,283
2026	21,821
Thereafter	<u>912,349</u>
Total	<u>\$ 1,016,204</u>

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Notes Payable (Continued)

The \$350,000 note payable noted above is separated into two promissory notes: Promissory note A, totaling \$305,462, of which the terms are explained above, and Promissory note B, totaling \$44,538. Promissory note B states that RNO shall have no obligations to make any payment on the note if there is no default in any of the conditions agreed to. At the maturity date of this note, if all conditions are met, the \$44,538 will be recognized as income.

Note 10. Line of Credit

RNO had a line of credit agreement totaling \$100,000 which matured on July 31, 2021 and was not renewed.

Note 11. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2021	2020
Cash	\$ 908,041	\$ 915,708
State Funding Receivable	258,657	173,749
Trade Receivables	10,018	30,660
Total	\$ 1,176,716	\$ 1,120,117

As part of its liquidity management plan, RNO invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

Note 12. Payroll Protection Program Loan

On April 6, 2020, RNO obtained a \$257,900 loan from Home Bank under the Small Business Administration (SBA) Paycheck Protection Program (PPP) and on January 29, 2021, RNO obtained a second PPP loan from Home Bank totaling \$281,252.

Under the terms of the PPP, up to 100% of the loan (and related interest) may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Payroll Protection Program Loan (Continued)

RNO received forgiveness from the SBA for the first PPP loan plus interest in the total amount of \$257,900 during the year ended December 31, 2020 and received forgiveness for the second PPP loan plus interest in the total amount of \$281,252 during the year ended December 31, 2021. The amount of the loan forgiveness is presented as a component of other revenues on the accompanying consolidated statement of activities for the years ended December 31, 2021 and 2020.

Note 13. Employee Retention Credit

The Employee Retention Credit (ERC) was originally introduced under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, but was later extended and expanded under the Consolidated Appropriations Act. The ERC is a refundable tax credit against certain employment taxes related to qualified wages, including certain health care costs, an eligible employer paid to employees after March 12, 2020 and before October 1, 2021.

RNO has determined that it qualifies for the ERC program and is eligible for the credit. RNO has applied for the ERC and has filed amended payroll tax returns for 2020 and 2021. In accordance with FASB ASC 958-605, the ERC funds are deemed a conditional grant. Conditions for this grant include incurring qualifying expenses.

A total of \$137,918 was received during the year ended December 31, 2021 related to the ERC and has been recognized as other revenue in the consolidated statement of activities as conditions have been substantially met.

Note 14. Retirement Plan

Effective January 1, 2021, a traditional 401k Safe Harbor plan was established in which RNO participates. Employees are eligible to enroll in the plan after 60 days of employment and can contribute up to the federally designated limit. RNO contributions are limited to the maximum of four percent (4%) of an eligible employee's total compensation. These contributions include a three percent (3%) safe harbor election and a one quarter percent (0.25%) match for each one percent (1%) contributed by the employee up to a maximum of one percent (1%).

Retirement plan expense for RNO totaled \$35,701 for the year ended December 31, 2021.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 15. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued June 2, 2022, and determined that the following event occurred that requires disclosure.

In May 2022, RNO received additional proceeds in the amount of \$132,650 related to the ERC.

No other subsequent events occurring after June 2, 2022 have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position
December 31, 2021

Schedule I

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Eliminations	Consolidated
Assets				
Current Assets				
Cash	\$ 908,041	\$ -	\$ -	\$ 908,041
Accounts Receivable, Net	859,716	-	-	859,716
Prepaid Expenses and Other Assets	9,512	-	-	9,512
Total Current Assets	1,777,269	-	-	1,777,269
Property and Equipment, Net	3,935,401	-	-	3,935,401
Total Assets	\$ 5,712,670	\$ -	\$ -	\$ 5,712,670
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 94,251	\$ -	\$ -	\$ 94,251
Salaries, Taxes, and Withholdings Payable	54,527	-	-	54,527
Notes Payable, Current Portion	19,747	-	-	19,747
Total Current Liabilities	168,525	-	-	168,525
Long-Term Liabilities				
Notes Payable, Less Current Maturities	996,457	-	-	996,457
Total Long-Term Liabilities	996,457	-	-	996,457
Total Liabilities	1,164,982	-	-	1,164,982
Net Assets				
Without Donor Restrictions	4,094,688	-	-	4,094,688
With Donor Restrictions	453,000	-	-	453,000
Total Net Assets	4,547,688	-	-	4,547,688
Total Liabilities and Net Assets	\$ 5,712,670	\$ -	\$ -	\$ 5,712,670

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Consolidating Statement of Activities
For the Year Ended December 31, 2021

Schedule II

	Reconcile New Orleans, Inc.	Café Reconcile Catering, LLC	Eliminations	Consolidated
Support				
Grants	\$ 659,506	\$ -	\$ -	\$ 659,506
Total Support	659,506	-	-	659,506
Revenues and Gains				
Restaurant Sales	227,878	-	-	227,878
Catering Sales	12,403	116,054	-	128,457
Contributions and Donations	619,937	873	-	620,810
Service Charges	400	2,290	-	2,690
Other	486,878	6,801	-	493,679
Federal/State Funding	808,897	-	-	808,897
Rental Income	-	617	-	617
Total Revenues and Gains	2,156,393	126,635	-	2,283,028
Total Support and Revenues	2,815,899	126,635	-	2,942,534
Expenses				
Program Expenses				
Workforce Development Program	2,036,274	190,578		2,226,852
Supporting Services				
Management and General	637,015	4,801		641,816
Fundraising	279,620	-		279,620
Total Expenses	2,952,909	195,379	-	3,148,288
Change in Net Assets	(137,010)	(68,744)	-	(205,754)
Net Assets, Beginning of Year	4,753,442	-	-	4,753,442
Contributions	-	68,744	(68,744)	-
Distributions	(68,744)	-	68,744	-
Net Assets, End of Year	\$ 4,547,688	\$ -	\$ -	\$ 4,547,688

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Compensation, Benefits, and Other Payments to
Agency Head
For the Year Ended December 31, 2021

Schedule II

Agency Head

Gerald Duhon, Executive Director

Purpose	Amount
Salary	\$142,149
Bonus	\$0
Benefits - Insurance	\$9,293
Benefits - Retirement	\$0
Benefits - Other	\$554
Car Allowance	\$0
Vehicle Provided by Organization	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Miscellaneous Expenses	\$0

Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement or local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

**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***

Independent Auditor's Report

To the Board of Directors
Reconcile New Orleans, Inc. and Subsidiaries
New Orleans, Louisiana

We have audited, 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, the consolidated financial statements of Reconcile New Orleans, Inc. and Subsidiaries (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 2, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
June 2, 2022

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Reconcile New Orleans, Inc. and Subsidiaries
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Reconcile New Orleans, Inc. and Subsidiaries (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the consolidated financial statements of Reconcile New Orleans, Inc. and Subsidiaries as of and for the year ended December 31, 2021, and have issued our report thereon dated June 2, 2022, which contained an unmodified opinion on those financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, the report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 2, 2022

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor or Pass-Through Grantor and Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures Incurred During the Year Ended December 31, 2021
U.S. Department of Labor			
Passed through Strive International, Inc. (STRIVE)			
STRIVE Future Leaders Education and			
Advancement Partnership (Future LEAP)			
	17.270	YF-36574-21-60-A-36	<u>\$ 33,471</u>
Total U.S. Department of Labor			<u>33,471</u>
U.S. Department of Agriculture, Food and Nutrition Services USDA			
Passed through The State of Louisiana Department of			
Children and Family Services			
State Administrative Matching Grants for			
Food Stamp Program (SNAP)			
	10.561	LA420142	<u>775,426</u>
Total U.S. Department of Agriculture, Food and Nutrition Services USDA			<u>775,426</u>
Total Expenditures of Federal Awards			<u><u>\$ 808,897</u></u>

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Reconcile New Orleans, Inc. and Subsidiaries (RNO) under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of RNO, it is not intended to and does not present the financial position, changes in net assets, or cash flow of RNO.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

RNO uses indirect cost rates negotiated and approved by the grant awarding agencies, and has elected not to use the 10% de minimis indirect cost rate as provided for in Section 200.414 of the Uniform Guidance.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

Section I. Summary Of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>AL Number</u>	<u>Name of Federal Program</u>
10.561	State Administrative Matching Grants for Food Stamp Program (SNAP)

Dollar threshold used to determine Type A Programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

None.

Section III. Findings And Questioned Costs For Federal Awards

None.

RECONCILE NEW ORLEANS, INC. AND SUBSIDIARIES
Schedule of Prior Audit Findings
For the Year Ended December 31, 2021

None.

AGREED-UPON PROCEDURES REPORT
Reconcile New Orleans, Inc. and Subsidiaries

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period January 1, 2021 - December 31, 2021

To the Board of Directors
Reconcile New Orleans, Inc. and Subsidiaries and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period January 1, 2021 through December 31, 2021. Reconcile New Orleans, Inc. and Subsidiaries (the Organization) management is responsible for those C/C areas identified in the SAUPs.

Reconcile New Orleans, Inc. and Subsidiaries has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period January 1, 2021 through December 31, 2021. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

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

Results: No exceptions were noted as a result of performing these procedures.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Results: No exceptions were noted as a result of performing these procedures.

Bank Reconciliations

- 3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were noted as a result of performing these procedures.

Collections (excluding electronic funds transfers)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe 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 and the cash is stored securely in a locked safe or drawer).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Not applicable.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were noted as a result of performing these procedures.

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

11. 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.

12. 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) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

[Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe 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). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Results: No exceptions were noted as a result of performing these procedures.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

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

Results: No exceptions were noted as a result of performing these procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were noted as a result of these procedures.

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

- d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were noted as a result of these procedures.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable.

Debt Service

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

Not applicable.

Fraud Notice

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

Results: No exceptions were noted as a result of these procedures.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, verbally discuss the results with management, and report: "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: No exceptions were noted as a result of these procedures.

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it includes the applicable requirements of R.S. 42:344:

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

Not applicable.

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

We are required to be independent of Reconcile New Orleans, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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



A Professional Accounting Corporation

Covington, LA
June 2, 2022