
NAMI New Orleans, Inc.

Financial Statements

June 30, 2018

**With Comparative Information
for June 30, 2017**

NAMI New Orleans, Inc.

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Independent Auditor's Report

To the Board of Directors
NAMI New Orleans, Inc.
New Orleans, Louisiana

We have audited the accompanying financial statements of NAMI New Orleans, Inc. ("NAMI"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NAMI'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 NAMI'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.

To the Board of Directors
NAMI New Orleans, Inc.
New Orleans, Louisiana

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI, as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited NAMI's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of NAMI. The accompanying schedule of expenditures of federal awards and schedule of compensation, benefits, and other payments to executive director is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards and the schedule of compensation, benefits, and other payments to executive director are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statewide agreed-upon procedures report, as required by Louisiana state law and referred to in our Independent Accountant's Reports on Applying Agreed-Upon Procedures, is presented for purposes of additional analysis and is not a required part of the financial statements. The statewide agreed-upon procedures report has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Directors
NAMI New Orleans, Inc.
New Orleans, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019, on our consideration of NAMI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NAMI's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pinnell & Martiney, LLC". The signature is written in a cursive, flowing style.

Covington, Louisiana
January 11, 2019

Financial Statements

NAMI New Orleans, Inc.
Statement of Financial Position
June 30, 2018
(with comparative financial information as of June 30, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 434,023	\$ 251,522
Cash and cash equivalents - restricted	47,730	49,992
Investments	943,348	917,068
Accounts receivable	253,665	313,137
Grants receivable	312,260	284,840
Due from related party	1,136	3,738
Prepaid expenses	35,025	5,672
	<u>2,027,187</u>	<u>1,825,969</u>
Fixed Assets		
Property and equipment, net	612,723	590,518
Noncurrent Assets		
Security deposits	-	1,056
Restricted assets held in charitable remainder trust	210,886	215,459
	<u>210,886</u>	<u>216,515</u>
	<u>\$ 2,850,796</u>	<u>\$ 2,633,002</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 42,103	\$ 7,996
Accrued payroll expenses	56,350	53,117
Contingent liability	16,400	-
Funds held on behalf of clients	47,730	49,992
Line of credit	-	83,000
	<u>162,583</u>	<u>194,105</u>
Noncurrent Liabilities		
Accrued compensated absences	42,569	41,472
Liability under unitrust agreement	43,858	49,950
	<u>86,427</u>	<u>91,422</u>
	249,010	285,527
Net Assets		
Unrestricted		
Designated	50,000	-
Undesignated	2,370,359	2,181,967
	<u>2,420,359</u>	<u>2,181,967</u>
Temporarily restricted	181,427	165,508
	<u>2,601,786</u>	<u>2,347,475</u>
	<u>\$ 2,850,796</u>	<u>\$ 2,633,002</u>

See accompanying notes to financial statements.

NAMI New Orleans, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018
(with summarized financial information for the year ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
Revenues, Gains, and Other Support				
Grants and contributions	\$ 1,275,925	\$ 14,400	\$ 1,290,325	\$ 1,266,771
Fees for services	1,626,765	-	1,626,765	1,754,827
Management fees	51,176	-	51,176	49,207
Membership dues	86,261	-	86,261	91,525
Fundraising	158,188	-	158,188	119,067
Investment income	26,279	-	26,279	67,646
Change in split interest agreement	-	1,519	1,519	2,090
Other income	12,779	-	12,779	5,701
	<u>3,237,373</u>	<u>15,919</u>	<u>3,253,292</u>	<u>3,356,834</u>
Expenses				
Program services				
Case management	592,284	-	592,284	526,665
Housing	413,886	-	413,886	462,926
Supervised adult independent living	-	-	-	243,355
Drop-in center	16,590	-	16,590	42,562
Rehabilitation	577,602	-	577,602	609,297
Education	82,580	-	82,580	86,118
Uptown friendship club	94,689	-	94,689	99,937
Womanspace	531,766	-	531,766	491,686
Finally home	140,631	-	140,631	123,346
Mental health court	-	-	-	30,802
	<u>2,450,028</u>		<u>2,450,028</u>	<u>2,716,694</u>
Supporting services				
Fundraising	62,463	-	62,463	36,310
Management and general	486,490	-	486,490	332,829
	<u>548,953</u>		<u>548,953</u>	<u>369,139</u>
	<u>2,998,981</u>		<u>2,998,981</u>	<u>3,085,833</u>
Increase in net assets	238,392	15,919	254,311	271,001
Net assets, beginning of year, as previously stated	2,181,967	165,508	2,347,475	1,974,958
Prior period adjustments	-	-	-	101,516
Net assets, end of year	<u>\$ 2,420,359</u>	<u>\$ 181,427</u>	<u>\$ 2,601,786</u>	<u>\$ 2,347,475</u>

See accompanying notes to financial statements.

NAMI New Orleans, Inc.
Statement of Functional Expenses – Program Services
For the Year Ended June 30, 2018
(with summarized financial information for the year ended June 30, 2017)

	Case Management	Housing	Drop-in Center	Rehabilitation	Education	Uptown Friendship Club	Womanspace	Finally Home	Program Services Total	2017 Total
Client assistance	\$ 4,671	\$ 119,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,501	\$ 224,150	\$ 265,253
Salaries and related expenses	470,618	239,627	6,457	428,623	64,697	57,436	427,695	25,058	1,720,211	1,885,215
Training and conferences	295	-	-	298	91	-	120	-	804	8,587
Travel	41,523	16,793	-	9,100	394	42	7,206	1,305	76,363	76,924
Lease expenses	-	-	-	-	-	-	-	-	-	16,440
Insurance	15,638	9,500	682	11,190	928	4,696	15,397	3,364	61,395	63,340
Office supplies	4,473	1,143	242	6,268	10,278	5,297	17,221	378	45,300	52,316
Telephone and internet	8,160	2,865	223	8,431	191	2,104	6,148	611	28,733	28,788
Utilities	4,331	2,031	332	10,215	310	3,971	-	954	22,144	17,639
Repairs and maintenance	4,378	1,086	564	10,582	406	5,787	2,967	1,054	26,824	19,994
Depreciation	3,824	140	5,027	15,140	-	8,764	-	32	32,927	37,927
Bad debts	17,765	11,073	-	17,784	-	570	-	5,544	52,736	142,217
Administrative expenses	1,041	758	-	1,655	3,537	100	738	374	8,203	4,524
Professional fees	14,032	7,057	292	55,373	960	2,861	8,828	1,922	91,325	89,567
Legal fees and expenses	-	-	-	-	-	-	-	-	-	-
Event expenses	-	-	-	-	-	-	-	-	-	-
Revenue share	-	-	-	-	-	-	-	-	-	-
Dues and subscriptions	1,535	1,835	-	2,753	-	768	1,901	534	9,326	2,000
Advertising	-	-	-	-	-	-	-	-	-	146
Miscellaneous expenses	-	-	-	190	788	2,293	-	-	3,271	5,817
In-kind donations	-	-	2,771	-	-	-	43,545	-	46,316	-
Interest expense	-	-	-	-	-	-	-	-	-	-
	<u>\$ 592,284</u>	<u>\$ 413,886</u>	<u>\$ 16,590</u>	<u>\$ 577,602</u>	<u>\$ 82,580</u>	<u>\$ 94,689</u>	<u>\$ 531,766</u>	<u>\$ 140,631</u>	<u>\$ 2,450,028</u>	<u>\$ 2,716,694</u>

See accompanying notes to financial statements.

NAMI New Orleans, Inc.
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2018
(with summarized financial information for the year ended June 30, 2017)

	Program Services Total	Support Services			2018 Total Expenses	2017 Total Expenses
		Fundraising	Management and general	Total Support Services		
Client assistance	\$ 224,150	\$ -	\$ -	\$ -	\$ 224,150	\$ 190,360
Salaries and related expenses	1,720,211	-	359,801	359,801	2,080,012	2,179,077
Training and conferences	804	-	1,573	1,573	2,377	12,729
Travel	76,363	221	785	1,006	77,369	77,427
Lease expenses	-	1,278	-	1,278	1,278	17,746
Insurance	61,395	-	3,696	3,696	65,091	65,350
Office supplies	45,300	1,990	10,819	12,809	58,109	60,800
Telephone and internet	28,733	546	2,904	3,450	32,183	31,591
Utilities	22,144	-	3,888	3,888	26,032	22,095
Repairs and maintenance	26,824	-	2,881	2,881	29,705	25,444
Depreciation	32,927	-	5,054	5,054	37,981	42,164
Bad debts	52,736	-	53,976	53,976	106,712	142,217
Administrative expenses	8,203	1,265	4,789	6,054	14,257	19,992
Professional fees	91,325	7,363	4,921	12,284	103,609	88,850
Legal fees and expenses	-	-	27,926	27,926	27,926	2,835
Event expenses	-	34,412	681	35,093	35,093	6,040
Revenue share	-	5,231	-	5,231	5,231	8,757
Dues and subscriptions	9,326	-	1,418	1,418	10,744	4,167
Advertising	-	1,382	-	1,382	1,382	1,821
Miscellaneous expenses	3,271	2,546	357	2,903	6,174	6,909
In-kind donations	46,316	6,229	-	6,229	52,545	74,093
Interest expense	-	-	1,021	1,021	1,021	5,369
	<u>\$ 2,450,028</u>	<u>\$ 62,463</u>	<u>\$ 486,490</u>	<u>\$ 548,953</u>	<u>\$ 2,998,981</u>	<u>\$ 3,085,833</u>

See accompanying notes to financial statements.

NAMI New Orleans, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018
(with comparative financial information for the year ended June 30, 2017)

	2018	2017
Cash Flows From Operating Activities		
Increase in net assets	\$ 254,311	\$ 271,001
Adjustments to reconcile the increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	37,981	42,164
Net realized and unrealized (gains) losses on investments	13,521	(48,352)
(Increase) decrease in:		
Accounts receivable	59,472	(200,625)
Grants receivable	(27,420)	
Due from related party	2,602	
Prepaid expenses	(29,353)	3,858
Security deposits	1,056	2,067
Assets held in charitable remainder trust	4,573	(2,628)
(Decrease) increase in:		
Accounts payable	34,107	-
Accrued payroll expenses	3,233	13,989
Contingent liability	16,400	-
Liability under unitrust agreement	(6,092)	537
Funds held on behalf of clients	(2,262)	(5,424)
Compensated absences	1,097	2,367
Net cash provided by operating activities	<u>363,226</u>	<u>78,954</u>
Cash Flows From Investing Activities		
Net purchases and sales of investments	(39,801)	(19,086)
Purchase of property and equipment	(60,186)	(50,000)
Net cash used in investing activities	<u>(99,987)</u>	<u>(69,086)</u>
Cash Flows From Financing Activities		
Payments on line of credit	(83,000)	(67,000)
Receipts from line of credit	-	150,000
Net cash provided by (used in) financing activities	<u>(83,000)</u>	<u>83,000</u>
Increase in cash and cash equivalents	180,239	92,868
Cash and cash equivalents, beginning balance	301,514	208,646
Cash and cash equivalents, ending balance	<u>\$ 481,753</u>	<u>\$ 301,514</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 1,021	\$ 5,369

See accompanying notes to financial statements.

NAMI New Orleans, Inc.

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Organization

NAMI New Orleans, Inc. ("NAMI") is a non-profit organization which operates in the New Orleans Metropolitan Area. NAMI is dedicated to creating an environment to help individuals who have been socially and vocationally disabled by mental illness to achieve or regain the confidence and skills to live vocationally productive and socially satisfying lives. The organization has several contracts with the Metropolitan Human Services District and Jefferson Parish Human Services Authority and receives other funding from fees, dues, donations, and fund-raising. NAMI is governed by a Board of Directors consisting of fifteen volunteers.

NAMI is accredited every three years by the Commission on Accreditation of Rehabilitation Facilities and affiliated with the National Alliance on Mental Illness, Inc. Accreditation is based on successfully meeting specific organizational, programmatic, and legal requirements. The affiliation allows NAMI to use the NAMI name and logo, receive grant support, and participate in conferences and supporting events conducted by the National Alliance on Mental Illness, Inc.

Basis of Accounting

The Agency prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (ASC). The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NAMI and changes therein are classified and reported as follows:

- *Unrestricted net assets* – includes (a) all resources that are not subject to legislation or donor-imposed stipulations and contributions and (b) grants with donor-imposed restrictions that are met during the same year as the contribution is made.
- *Temporarily restricted net assets* - support that is restricted by legal or donor stipulations that may be met either by actions of NAMI and/or passage of time. Donor restricted support that will be met either by action of NAMI and/or the passage of time, are classified as an increase in temporarily restricted net assets. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- *Permanently restricted net assets* - subject to legislation or donor-imposed stipulations that they be maintained permanently by NAMI. Generally, the donor of these assets permits NAMI to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets as of June 30, 2018.

When both restricted and unrestricted net assets are available for use, it is NAMI's policy to use the restricted resources first, then unrestricted resources as needed.

NAMI New Orleans, Inc.

Notes to Financial Statements

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses reported during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Summarized Comparative Information

The statement of activities and changes in net assets includes prior year comparative information that has been summarized in total but not by net asset class, and the statement of functional expenses includes prior year comparative information that has been summarized in total rather than being reported by each program and supporting service. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with NAMI's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported net assets.

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents includes demand deposits and all highly liquid investments with an original maturity of three months or less.

Accounts Receivable

Accounts receivable are recorded at net realizable value and consist of charges for services provided by NAMI but have not been collected at year-end. Management monitors the receivable balances and assesses the collectability at year-end based upon the historical collections, knowledge of the individual or entity, and the age of the receivable balance. As a result of these reviews, management recorded \$9,404 and \$22,000 as an allowance for doubtful accounts at June 30, 2018 and 2017, respectively.

Grants Receivable

Grants receivable are recorded at net realizable value and consists of payments due for services performed in accordance with specific contracts and programs administered. Management periodically reviews the status of all grants receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the grantor and the age of the receivable balance. As a result of these reviews, management recorded \$27,311 as an allowance for doubtful accounts at June 30, 2017. At June 30, 2018, management has deemed grants receivable to be collectible; therefore no allowance for doubtful accounts is reported.

NAMI New Orleans, Inc.

Notes to Financial Statements

Investments

NAMI invests in mutual funds and equities which are carried at fair value. Investment income includes interest, dividends, realized and unrealized gains and losses, and investment fees and is included in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets.

Grants and Contributions

Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. When a donor restriction is fulfilled in the same year as the contribution is received, the contribution is recognized as unrestricted support.

Fixed Assets

Property and equipment is recorded at cost, or, if donated, at the fair value on the date of the donation. NAMI capitalizes all fixed assets with a purchase price or donated fair value of \$2,500 or more. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Description	Years
Building and improvements	10 - 40
Office furniture and equipment	5 - 10
Transportation equipment	5
Household equipment	7
Educational, recreational, cultural equipment	5 - 7
Software	3

Compensated Absences

NAMI's employees earn accrued vacation time at various amounts according to years of service but not to exceed 125 hours. Once an employee has accumulated 125 hours of vacation leave, the employee stops accruing vacation leave until the employee has less than 125 hours in their vacation leave balance. Upon separation from employment, an employee shall receive that amount of vacation accrued (a maximum of 125 hours) at the employee's effective rate of pay at the time of separation. The compensated absences liability is reported as a long-term liability with the portion expected to be paid within one year reported as a current liability and an expense allocated on a functional basis. At June 30, 2018 and 2017, NAMI had accrued compensated absences of \$42,569 and \$41,472, respectively.

Advertising

Advertising costs are expensed as incurred and allocated among the programs and supporting services benefited on the statement of functional expenses. Advertising expense was \$1,382 and \$1,821 for the years ended June 30, 2018 and 2017, respectively.

NAMI New Orleans, Inc.

Notes to Financial Statements

Retirement Plan

NAMI offers a 401(k) plan to its employees. Employees electing to participate in the plan may elect to defer up to a maximum of 15% of compensation. The 401(k) plan allows NAMI to make a discretionary match. NAMI made no contributions for the years ended June 30, 2018 and 2017.

Income Taxes

NAMI is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code and is exempt from Louisiana income tax under the authority of R.S. 47:121(5). Accordingly, no provision for income taxes has been reported. With few exceptions, NAMI is no longer subject to federal or state examinations by tax authorities prior to the tax year ended June 30, 2015.

NAMI follows the provisions of the *Accounting for Uncertainty in Income Taxes* topic of the FASB Codification, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in NAMI's information tax returns. 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. Under this guidance, NAMI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits or obligations identified or recorded for the years ended June 30, 2018 and 2017.

New Pronouncements

- In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. Under ASU 2016-02, leases will continue to be differentiated between finance leases and operating leases. However, the principal difference from previous guidance is that a lessee should recognize a liability to make lease payments (the lease liability) in the statement of financial position and a right-of-use asset representing its right to use the underlying asset for the lease term for financing leases in addition to operating leases with a term of twelve months or more. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact ASU 2016-02 will have on the financial statements.
- In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources - and the changes in those resources - to donors, grantors, creditors and other users. The most significant aspects of the ASU are as follows:
 - (1) The ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.
 - (2) The ASU expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds.
 - (3) The ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses.
 - (4) The ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk.

NAMI New Orleans, Inc.

Notes to Financial Statements

ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact ASU 2016-14 will have on NAMI's financial statements.

- On June 21, 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in the update should be applied on a modified prospective basis. Retrospective application is permitted. Management has not yet evaluated the impact this standard will have on its financial statements and related disclosures, including the selection of a transition method.

2. Investments

Investments are carried at fair value and are comprised of the following at June 30:

	2018	2017
Money market	\$ 43,242	\$ 99,781
Mutual funds	859,135	764,182
Common stock	40,971	-
Alternative investments	-	53,105
	<u>\$ 943,348</u>	<u>\$ 917,068</u>

The following schedule summarizes investment returns including interest and administrative fees, and its classification in the financial statements for the years ended June 30:

	2018	2017
Interest and dividends	\$ 45,515	\$ 24,261
Net realized and unrealized gains(losses)	<u>(13,521)</u>	<u>48,352</u>
	31,994	72,613
Investment expenses	<u>(5,715)</u>	<u>(4,967)</u>
	<u>\$ 26,279</u>	<u>\$ 67,646</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of NAMI's investment in a single issuer. The investment policy of NAMI contains no limitations on the amount that can be invested in any one issuer.

NAMI New Orleans, Inc.

Notes to Financial Statements

3. Split Interest Trust

NAMI administers a charitable remainder trust (the "Trust"). The Trust provides for the payment of distributions to the grantor or other designated beneficiary over the Trust's term (the designated beneficiary's lifetime). At the end of the Trust's term, the remaining assets are available for NAMI's use. The portion of the Trust attributable to the present value of the future benefits to be received by NAMI is recorded in the Statement of Activities as a temporarily restricted contribution. Assets held in the charitable remainder trust are reported at fair market value and totaled \$210,886 and \$215,459 at June 30, 2018 and 2017, respectively. On an annual basis, NAMI revalues the liability to make distributions to the designated beneficiary based on actuarial assumptions. The present value of the estimated future payments (\$43,858 and \$49,950 at June 30, 2018 and 2017, respectively) is calculated using a discount rate of 5% and applicable mortality tables.

4. Board Designated Reserve

On June 21, 2018, the Board of Directors' Executive Committee reviewed NAMI's results from operations for the year ended June 30, 2018. Based upon the review, the Board of Directors approved a designated reserve of \$50,000 to be contributed to employee retirement plans during the June 30, 2019 fiscal year. See the retirement plan note disclosure at Note 1.

	Balance at June 30, 2017	Additions	Payments	Balance at June 30, 2018
Reserve for contributions to employees' retirement plans	\$ -	\$ 50,000	\$ -	\$ 50,000

5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. NAMI has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value which are as follows:

- Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.
- Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

NAMI New Orleans, Inc.
Notes to Financial Statements

The following table sets forth by level NAMI's assets at fair value at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Money market	\$ 43,242	\$ -	\$ -	\$ 43,242
Mutual funds	859,135	-	-	859,135
Common stock	40,971	-	-	40,971
	<u>943,348</u>	<u>-</u>	<u>-</u>	<u>943,348</u>
Assets held in charitable remainder trust				
Money market	7,471	-	-	7,471
Mutual funds	203,415	-	-	203,415
	<u>210,886</u>	<u>-</u>	<u>-</u>	<u>210,886</u>
Liability				
Liability under unitrust agreement	-	-	43,858	43,858
	<u>-</u>	<u>-</u>	<u>43,858</u>	<u>43,858</u>

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used by the fund managers in determining the value at June 30, 2018:

Assets	
Alternative investments	
Beginning balance	\$ 53,105
Purchases	1,372
Unrealized gain(loss)	(5,603)
Transfers out	(48,874)
	<u>\$ -</u>
Liability	
Liability under unitrust agreement	
Beginning balance	\$ 49,950
Change in liability under unitrust agreement	(6,092)
	<u>\$ 43,858</u>

NAMI New Orleans, Inc.
Notes to Financial Statements

The following table sets forth by level NAMI's assets at fair value at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
Money market	\$ 99,781	\$ -	\$ -	\$ 99,781
Mutual funds	764,182	-	-	764,182
Alternative investments	-	-	53,105	53,105
	<u>863,963</u>	<u>-</u>	<u>53,105</u>	<u>917,068</u>
Assets held in charitable remainder trust				
Money market	21,855	-	-	21,855
Mutual funds	193,604	-	-	193,604
	<u>215,459</u>	<u>-</u>	<u>-</u>	<u>215,459</u>
Liability				
Liability under unitrust agreement	-	-	49,950	49,950
	<u>-</u>	<u>-</u>	<u>49,950</u>	<u>49,950</u>

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used by the fund managers in determining the value at June 30, 2017:

Assets	
Alternative investments	
Beginning balance	\$ 50,184
Unrealized gain(loss)	2,921
	<u>\$ 53,105</u>
Liability	
Liability under unitrust agreement	
Beginning balance	\$ 49,413
Change in liability under unitrust agreement	537
	<u>\$ 49,950</u>

NAMI New Orleans, Inc.
Notes to Financial Statements

6. Property and Equipment

Property and equipment consist of the following:

	Balance at 06/30/17	Additions	Deletions	Balance at 06/30/18
Capital assets, not being depreciated				
Land	\$ 77,800	\$ -	\$ -	\$ 77,800
Capital assets, being depreciated				
Building and improvements	969,901	15,186	-	985,087
Office furniture and equipment	84,422		(1,228)	83,194
Software	0	45,000	0	45,000
Transportation equipment	59,833	-	-	59,833
Household equipment	18,284	-	-	18,284
Educational, recreational, and cultural equipment	648	-	-	648
	<u>1,133,088</u>	<u>60,186</u>	<u>(1,228)</u>	<u>1,192,046</u>
Accumulated depreciation	<u>(620,370)</u>	<u>(37,981)</u>	<u>1,228</u>	<u>(657,123)</u>
	<u>512,718</u>	<u>22,205</u>	<u>-</u>	<u>534,923</u>
	<u>\$ 590,518</u>	<u>\$ 22,205</u>	<u>-</u>	<u>\$ 612,723</u>

Depreciation expense was \$37,981 and \$42,164 for the years ended June 30, 2018 and 2017, respectively.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Charitable remainder trust	\$ 167,027	\$ 165,508
Grant - Greater New Orleans Foundation	14,400	-
	<u>\$ 181,427</u>	<u>\$ 165,508</u>

8. Office Lease

NAMI leased a suite of executive offices located at 1050 South Jefferson Davis Parkway, New Orleans, Louisiana under a month-to-month lease. The lease may be terminated by the lessor or lessee with a written notice of termination to the other party at least thirty days in advance. Lease expense for the offices was \$16,200 for the year ended June 30, 2017. The lease was canceled as of June 30, 2017 resulting in no lease expenses for the year ended June 30, 2018.

NAMI New Orleans, Inc.

Notes to Financial Statements

9. Lines of Credit

NAMI has an available revolving line of credit with Whitney Bank totaling \$100,000 that originated on May 29, 2016, matured on May 29, 2017, and was extended to May 29, 2018. The interest rate on the note is subject to change from time to time based on changes in an independent index which is the prime rate for the U.S. designated in the “Money Rates” section of the Wall Street Journal. However, under no circumstances will the interest rate on the note be less than 4.00% per annum or more than the maximum amount allowed by law. The balance at June 30, 2017 was \$83,000. At June 30, 2018 there is no balance outstanding on the note.

NAMI has an available revolving line of credit with Iberia Bank totaling \$300,000 that originated on August 4, 2017 and matures on August 3, 2018. The line of credit was extended to August 2, 2019. The interest rate on the note is subject to change from time to time based on changes in an independent index which is the prime rate for the U.S. designated in the “Money Rates” section of the Wall Street Journal. At June 30, 2018 and 2017 there were no balances outstanding on the note.

10. Concentrations

In the normal course of operations, NAMI maintains cash deposits with major financial institutions which, from time to time, may exceed federally insured limits. Management periodically assesses the financial condition of the institutions and believes the risk of incurring material losses related to this credit risk is remote.

Included in receivables are amounts due from various insurance companies, Medicaid, and Medicare for services provided to clients. NAMI requires no collateral to secure the accounts receivable. Payment of these accounts is dependent upon the insurance companies, Medicaid, and Medicare’s willingness to reimburse NAMI for the services provided for clients.

11. Related Party Transactions

Friends of Alliance Housing, Inc. I

The executive director of NAMI also serves as executive director of Friends of Alliance Housing, Inc. I (“FAHI I”). NAMI and FAHI I have undertaken in the following related party transactions:

- NAMI has provided FAHI I with the use of facilities and/or administrative support. FAHI I reimbursed NAMI \$5,363 for these management services for the year ended June 30, 2018 and 2017.
- NAMI’s staff provides services for FAHI I as needed. In return, FAHI I reimbursed NAMI \$13,464 for salary expenses for the year ended June 30, 2018 and \$13,464 for the year ended June 30, 2017.

NAMI New Orleans, Inc.

Notes to Financial Statements

Friends of Alliance Housing, Inc. II

The executive director NAMI also serves as executive director of Friends Alliance Housing, Inc. II (“FAHI II”). NAMI and FAHI II have undertaken in the following related party transactions:

- NAMI has provided FAHI II with the use of facilities and/or administrative support. FAHI II reimbursed NAMI \$8,266 for these management services for the year ended June 30, 2018 and \$7,577 for the year ended June 30, 2017.
- NAMI’s staff provides services for FAHI II as needed. In return, FAHI II reimbursed NAMI \$12,564 for salary expenses for the year ended June 30, 2018 and \$12,564 for the year ended June 30, 2017.
- FAHI II paid NAMI \$5,500 to advertise at NAMI's fund raiser, NAMI Walks, for the year ended June 30, 2018.
- NAMI leases a vehicle from FAHI II at a rate of \$10 per annum. The lease is cancellable with one month's notice.

Allied Paper

NAMI purchased \$10,149 of janitorial supplies from Allied Paper for the year ended June 30, 2018. Mr. Irel Sears, a member of NAMI’s Board of Directors, has a 50% ownership in Allied Paper.

12. Legal Proceeding and Contingency

NAMI was involved in a legal proceeding with an employee who filed a complaint for workplace discrimination on January 18, 2017. The U.S. Equal Employment Opportunity Commission cleared NAMI of wrongdoing. However, due to the cost of litigation being more than the civil suit, NAMI decided to settle out of court on September 28, 2018 for \$16,400 – which includes compensatory damages, back wages, and attorney fees paid to the former employee. NAMI has reported a contingent liability of \$16,400 at June 30, 2018.

13. Subsequent Events

NAMI evaluated subsequent events through January 11, 2019 which is the date the financial statements were available to be issued.

NAMI settled a legal proceeding out of court on September 28, 2018. See Note 12 for further details.

Supplementary Information

NAMI New Orleans, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct program			
Continuum of Care Program	14.267	LA0072L6H031508	\$ 185,668
Total direct programs			<u>185,668</u>
Pass-through program			
Unity of Greater New Orleans			
Continuum of Care Program	14.267	LA0210L6H031603	135,056
Continuum of Care Program	14.267	LA0083LL6H031508	484,889
Total pass-through programs			<u>619,945</u>
Total U.S. Department of Housing and Urban Development			<u>805,613</u> *
U.S. Department of Health and Human Services			
Pass-through program			
Unity of Greater New Orleans			
Substance Abuse and Mental Health Services	93.243	IH79SM63337-01	182,182
Total U.S. Department of Health and Human Services			<u>182,182</u>
Total expenditures of federal awards			<u>\$ 987,795</u>

* audited as a major program

NAMI New Orleans, Inc.

Notes to Schedule of Expenditures of Federal Awards

Reporting Entity

The accompanying schedule of expenditures of federal awards presents the activities of federal award programs expended by NAMI New Orleans, Inc. ("NAMI"). NAMI's reporting entity is defined in Note 1 of the notes to financial statements.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of NAMI under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of NAMI, it is not intended to and does not present the financial position, changes in net position, fund balance, or changes in fund balance.

Summary of Significant Accounting Policies

The schedule of expenditures of federal awards is reported on the same accounting basis as the fund financial statements, which is described in Note 1 of the notes to financial statements. 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.

NAMI did not elect to use the 10 percent de minimis indirect rate.

NAMI New Orleans, Inc.
Schedule of Compensation, Benefits, and Other Payments to Executive Director
For the Year Ended June 30, 2018

Agency Head: Lisa Romback
Position: Executive Director

Purpose	Amount
Salary	\$ 90,134
Benefits: insurance	3,870
Benefits: retirement	179
Travel	517
Cell phone allowance	360
	<u>\$ 95,060</u>

*Statewide Agreed-Upon Procedures
Required by Louisiana State Law*

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors
NAMI New Orleans, Inc.
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of NAMI New Orleans, Inc., ("NAMI") and the Louisiana Legislative Auditor on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures for the fiscal period July 1, 2017 through June 30, 2018. NAMI's management is responsible for those control and compliance areas identified in the Statewide Agreed-Upon Procedures. The sufficiency of these procedures is solely the responsibility of NAMI and the Louisiana Legislative Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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

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- 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) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board (or Finance Committee, if applicable)

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 non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - 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.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
 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.
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- 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 verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

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.
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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:
- Observe that the disbursement matched the related original invoice/billing statement.
 - Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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:
- Observe that there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
 - 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).

Travel and Travel Related 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:
- If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration.
 - If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - Observe that each reimbursement 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).
 - Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
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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.
 - 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.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

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 documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
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.

Other

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

We noted the following exception as a result of applying the above procedures:

Other

NAMI has not posted a notice concerning the reporting of misappropriation, fraud, waste, or abuse of public funds on its premises or website.

Management’s Response

NAMI will make the necessary arrangements to post the misappropriation notice to its website, break room, and administrative offices.

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

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

A handwritten signature in black ink that reads "Russell J. Martineau, II". The signature is written in a cursive style with a large initial "R" and a long, sweeping underline.

Covington, Louisiana
January 11, 2019

*Reports Required by
Government Auditing Standards*

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
NAMI New Orleans, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NAMI New Orleans, Inc. (“NAMI”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NAMI’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness NAMI’s internal control. Accordingly, we do not express an opinion on the effectiveness of NAMI’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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant . 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 NAMI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-1.

NAMI New Orleans, Inc.'s Response to the Finding

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

Purpose of this Report

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



Covington, Louisiana
January 11, 2019

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
NAMI New Orleans, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NAMI New Orleans, Inc.'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 NAMI New Orleans, Inc.'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 NAMI's compliance.

Opinion on Each Major Federal Program

In our opinion, NAMI, 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 June 30, 2018.

Report on Internal Control over Compliance

Management of NAMI, 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 NAMI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate 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 NAMI'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 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.



Covington, Louisiana
January 11, 2019

NAMI New Orleans, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

A. Summary of Auditor's Results

Financial Statements

- a. Type of auditor's report issued: Unmodified
- b. Internal control over financial reporting:
- | | | |
|---|-----------|--|
| Material weaknesses identified | _____ yes | _____ <input checked="" type="checkbox"/> no |
| Significant deficiencies identified that are not considered to be material weaknesses | _____ yes | _____ <input checked="" type="checkbox"/> none noted |
- c. Noncompliance material to financial statements noted
- | | | |
|--|---|----------|
| | _____ <input checked="" type="checkbox"/> yes | _____ no |
|--|---|----------|

Federal Awards

- a. Type of auditor's report issued on compliance for major programs: Unmodified
- b. Internal control over major programs:
- | | | |
|---|-----------|--|
| Material weaknesses identified | _____ yes | _____ <input checked="" type="checkbox"/> no |
| Significant deficiencies identified that are not considered to be material weaknesses | _____ yes | _____ <input checked="" type="checkbox"/> none noted |
- c. Any audit findings disclosed that are required to be reported by *Title 2 U.S. Code of Federal Regulations Part 200*.
- | | | |
|--|-----------|--|
| | _____ yes | _____ <input checked="" type="checkbox"/> no |
|--|-----------|--|
- d. Identification of major programs:
- CFDA # 14.267 Continuum of Care Program
- e. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- f. Auditee qualified as low-risk audit
- | | | |
|--|-----------|--|
| | _____ yes | _____ <input checked="" type="checkbox"/> no |
|--|-----------|--|

NAMI New Orleans, Inc.
Schedule of Findings and Questioned Costs (*Continued*)
For the Year Ended June 30, 2018

B. Findings in Accordance with *Government Auditing Standards*

2018-1 Compliance: Timely Submission of Report

Criteria

Louisiana Revised Statute 24:513 requires NAMI's audited financial statements to be submitted to the Louisiana Legislative Auditor no later than six months after the local auditee's fiscal year-end.

Condition

The June 30, 2018 audited financial statements were submitted to the Louisiana Legislative Auditor 11 days after the December 31, 2018 due date.

Cause

The auditors needed the attorney representation letter from NAMI's attorney before releasing the audited financial statements in order to obtain pertinent information regarding litigation. The attorney representation letter was received January 10, 2019.

Effect

NAMI was not in compliance with Louisiana R.S. 24:513.

Recommendation

No recommendation necessary. Management took the necessary steps to obtain the needed information.

Management Response

Management is in disagreement with this finding since the reason for the late submission was not in their control.

C. Findings and Questioned Costs for Federal Awards Under the Uniform Guidance

None noted.

NAMI New Orleans, Inc.
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2018

A. Findings in Accordance with *Government Auditing Standards*

2017-001 Material Weakness in Internal Controls: Improper Revenue Recognition

Condition and Criteria

Errors were noted in NAMI's prior period accrual of patient services revenue which resulted in the related receivables being understated by \$121,121 at June 30, 2016. The balance required substantial effort and time to research and correct. In addition, NAMI earned a \$20,000 grant during the 2016 fiscal year but reported \$10,000 of the grant as a current liability at June 30, 2016. These errors required a prior period adjustment which increased beginning net assets by \$131,121.

Revenue recognition procedures must be considered in preparation of the annual financial statements. The patient services revenue should be reconciled, at least annually, to ensure that the activity is accurately recorded and that the ending receivable balance accurately reflects NAMI's position.

Also, grant revenues should be classified as permanently restricted, temporarily restricted, or unrestricted net assets and reported in the statement of activities as unrestricted net assets as the net assets are released from restrictions.

Cause

The accounting department does not review aging of receivables by claim. Therefore, management is not able to determine the balance owed to NAMI in a timely manner. Also, when an insurance company or Medicaid makes a billing adjustment, staff will backdate changes to original invoices rather than adjusting an allowance for uncollectible accounts.

The grant was reported as deferred revenue to shift the revenue to a subsequent period for budget purposes.

Effect

As a result of this condition, NAMI's accounting records were initially misstated by amounts that were material to the financial statements.

Recommendation

It is recommended that the accounting for all patient services follow a review process. If accounting personnel are unable to record the transactions to NAMI's accounting records as the services are provided, the patient services accounting program should be reviewed and reconciled at year end to determine the balance realized by NAMI and record as a receivable. Management should review the receivable balance at year end to determine if an allowance for doubtful accounts should be recorded.

In addition, grant revenues should be classified as permanently restricted, temporarily restricted, or unrestricted net assets and reported in the statement of activities as unrestricted net assets as the net assets are released from restrictions.

Update

This finding has been resolved.

NAMI New Orleans, Inc.
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2018

2017-002 Material Weakness in Internal Controls: Unreported Liability

Condition and Criteria

Accrued compensated absences (noncurrent liability) was understated by \$39,105 at June 30, 2016 resulting in a prior period adjustment which decreased beginning net assets by \$39,105.

Upon separation from employment, NAMI's employees receive the amount of vacation accrued (a maximum of 125 hours) at the employee's effective rate of pay at the time of separation.

Cause

Management did not maintain a schedule of employees' time accrued in prior years. Therefore, management was not able to calculate the vacation payable at June 30, 2016.

Effect

As a result of this condition, NAMI's accounting records were initially misstated by amounts that were material to the financial statements.

Recommendation

It is recommended that NAMI maintains a schedule of accrued vacation which lists each employee's beginning accrued vacation hours, hours earned during the period, hours used during the period, and ending balance. Management can use the schedule to calculate accrued vacation payable at a specific point in time.

Update

This finding has been resolved.

2017-003 Material Weakness in Internal Controls: Cash

Condition and criteria

Cash was understated by \$9,500 at June 30, 2016 resulting in a prior period adjustment which increased beginning net assets by \$9,500.

As an essential internal control measure, bank reconciliations should be completed in a timely manner and outstanding transactions researched and resolved.

Cause

NAMI inadvertently created a \$9,500 check within QuickBooks in December 2015 that remained outstanding throughout the current fiscal year.

Effect

As a result of this condition, NAMI's accounting records were initially misstated by amounts that were material to the financial statements.

NAMI New Orleans, Inc.
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2018

Recommendation

We recommend management to research unresolved transactions and make the necessary corrections on a monthly basis.

Update

This finding has been resolved.

2017-004 Significant Deficiencies in Internal Controls: Disbursements

Condition and criteria

A receipt was not on file for a \$334 credit card purchase from a local restaurant. In addition, various transactions selected for testing did not have evidence of management's review and approval before payment was submitted to the vendor.

NAMI's accounting policies and procedures state that invoices and receipts are to be kept on file and shall be reviewed and approved by management prior to payment.

Cause

The receipt was not placed on file, and management did not initial and/or stamp invoices to document the review and approval process.

Effect

As a result of this condition, NAMI was exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be detected and corrected by management in a timely manner.

Recommendation

We recommend NAMI to obtain invoices/receipts from all purchases, including credit card transactions, and maintain the invoices/receipts on file. Prior to payment being made, management should initial and/or stamp the invoice/receipt to document the review and approval has occurred.

Update

This finding has been resolved.

B. Findings and Questioned Costs for Federal Awards Under the Uniform Guidance

None noted.