
THE CAPITAL APPEALS PROJECT
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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THE CAPITAL APPEALS PROJECT
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JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Capital Appeals Project
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Capital Appeals Project (a non-profit organization) (the "Organization") and its subsidiary, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to consolidated 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 consolidated financial statements are free of material misstatement.

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



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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Capital Appeals Project and its subsidiary as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating financial statements on pages 12 through 15 and the Schedule of Compensation, Benefits, and Other Payments to the Agency Head on page 16 presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 December 19, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or 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 black ink that reads 'Postlethwaite & Netterville' in a cursive script.

New Orleans, Louisiana
December 19, 2017

THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents, unrestricted	\$ 623,750	\$ 864,575
Cash and cash equivalents, restricted (Note 4)	374,865	488,984
Grants and fees receivable, net	36,877	22,527
Total current assets	<u>1,035,492</u>	<u>1,376,086</u>
Property and equipment:		
Leasehold improvements	15,706	15,706
Computers and equipment	39,264	39,264
Furniture and fixtures	16,204	16,204
	<u>71,174</u>	<u>71,174</u>
Less accumulated depreciation	(55,802)	(52,041)
Net property and equipment	<u>15,372</u>	<u>19,133</u>
Total assets	<u>\$ 1,050,864</u>	<u>\$ 1,395,219</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 16,062	\$ 31,302
Total current liabilities	<u>16,062</u>	<u>31,302</u>
Net assets		
Unrestricted	659,937	874,933
Temporarily restricted	374,865	488,984
Total net assets	<u>1,034,802</u>	<u>1,363,917</u>
Total liabilities and net assets	<u>\$ 1,050,864</u>	<u>\$ 1,395,219</u>

See accompanying notes to these consolidated financial statements.

THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>						
Grant revenues	\$ -	\$ 1,229,695	\$ 1,229,695	\$ -	\$ 1,658,645	\$ 1,658,645
Fee revenues	88,740	-	88,740	566,350	-	566,350
Other income	3,850	-	3,850	3,000	-	3,000
Contributions	181,017	-	181,017	131,897	-	131,897
In-kind contributions	38,000	-	38,000	38,000	-	38,000
Net assets released from restrictions	1,343,814	(1,343,814)	-	1,628,703	(1,628,703)	-
Total revenues and support	<u>1,655,421</u>	<u>(114,119)</u>	<u>1,541,302</u>	<u>2,367,950</u>	<u>29,942</u>	<u>2,397,892</u>
<u>EXPENSES</u>						
Program services	1,796,126	-	1,796,126	1,849,561	-	1,849,561
Support services	74,291	-	74,291	63,207	-	63,207
Total expenses	<u>1,870,417</u>	<u>-</u>	<u>1,870,417</u>	<u>1,912,768</u>	<u>-</u>	<u>1,912,768</u>
Change in net assets	(214,996)	(114,119)	(329,115)	455,182	29,942	485,124
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>874,933</u>	<u>488,984</u>	<u>1,363,917</u>	<u>419,751</u>	<u>459,042</u>	<u>878,793</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 659,937</u>	<u>\$ 374,865</u>	<u>\$ 1,034,802</u>	<u>\$ 874,933</u>	<u>\$ 488,984</u>	<u>\$ 1,363,917</u>

See accompanying notes to these consolidated financial statements.

THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>			<u>2016</u>		
	<u>Program</u>	<u>Support Services</u>	<u>Total Expenses</u>	<u>Program</u>	<u>Support Services</u>	<u>Total Expenses</u>
Administration	\$ 41,302	\$ -	\$ 41,302	\$ 33,298	\$ -	\$ 33,298
Bad debt expense	20,248	-	20,248	66,800	-	66,800
Continuing education	5,365	-	5,365	8,221	-	8,221
Depreciation	3,761	-	3,761	4,839	-	4,839
Dues and subscriptions	13,233	-	13,233	13,031	-	13,031
Employee benefits	254,057	1,186	255,243	226,624	1,186	227,810
Insurance	8,625	6,728	15,353	4,899	5,799	10,698
Miscellaneous	33,996	34,335	68,331	11,606	24,418	36,024
Office supplies	9,770	500	10,270	5,770	283	6,053
Overhead	102,600	5,400	108,000	102,600	5,400	108,000
Postage	5,234	-	5,234	4,520	-	4,520
Professional fees	186,589	8,000	194,589	338,613	8,000	346,613
Rent expense	36,100	1,900	38,000	36,386	1,915	38,301
Salary and wages	998,342	15,500	1,013,842	924,510	15,500	940,010
Telephone	14,094	742	14,836	13,412	706	14,118
Travel	62,810	-	62,810	54,432	-	54,432
Total expenses	\$ 1,796,126	\$ 74,291	\$ 1,870,417	\$ 1,849,561	\$ 63,207	\$ 1,912,768

See accompanying notes to these consolidated financial statements.

THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (329,115)	\$ 485,124
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,761	4,839
Bad debt expense	20,248	66,800
Decrease (increase) in accounts receivable	(34,598)	107,262
Decrease in accounts payable	(15,240)	(19,871)
	<u>(354,944)</u>	<u>644,154</u>
Net cash (used in) provided by operating activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>-</u>	<u>(1,347)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,347)</u>
Net (decrease) increase in cash	(354,944)	642,807
Cash and cash equivalents, beginning of year	<u>1,353,559</u>	<u>710,752</u>
Cash and cash equivalents, end of year	<u>\$ 998,615</u>	<u>\$ 1,353,559</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents, unrestricted	\$ 623,750	\$ 864,575
Cash and cash equivalents, restricted	374,865	488,984
	<u>\$ 998,615</u>	<u>\$ 1,353,559</u>

See accompanying notes to these consolidated financial statements.

THE CAPITAL APPEALS PROJECT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

(1) **Summary of Significant Accounting Policies**

History and Organization

The Capital Appeals Project (the "Organization") is a 501(c)(3) non-profit law office established in 2001 to provide representation to all indigent defendants sentenced to death in Louisiana. The office represents clients in their direct appeals to the Louisiana Supreme Court and on *certiorari* to the United States Supreme Court. In addition to direct representation, the staff members also resource ongoing capital trials, provide training and consultation for capital defense attorneys, engage in public outreach and education on issues relating to capital punishment, and advocate for continued improvement in the criminal justice system.

On October 31, 2012, the Promise of Justice Initiative ("PJI") was incorporated as a 501(c)(3) non-profit corporation. PJI was established to advocate for humane, fair, and equal treatment of individuals in the criminal justice system.

Principles of Consolidation

The accompanying consolidated financial statements of the Capital Appeals Project include the accounts of the Promise of Justice Initiative based on common board members and the purpose for which Promise of Justice Initiative was founded. All intercompany activities and transactions have been eliminated upon consolidation.

Basis of Accounting and Presentation

The consolidated financial consolidated of the Organization are presented on the accrual basis of accounting. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. At June 30, 2017 and 2016, the Organization has temporarily restricted assets as described in Note 4.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations. At June 30, 2017 and 2016, the Organization has no permanently restricted assets.

Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents on deposit with two financial institutions in the Greater New Orleans area, and at times, may exceed federally insured limits. The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

THE CAPITAL APPEALS PROJECT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

(1) Summary of Significant Accounting Policies (continued)

Grants and Fees Receivable

Grants and fees receivables are stated at the amount the Organization expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2017 and 2016, included in grant receivable is an allowance for doubtful accounts of \$69,462 and \$52,560, respectively.

Property and Equipment

Property and equipment are stated at cost, less an allowance for accumulated depreciation. Expenditures for maintenance, repairs, and improvements which do not materially extend the useful lives of the assets are charged to expense as incurred. When equipment is removed from service, the cost of the asset and the related accumulated depreciation are removed from the books and any resulting gain or loss is credited to or charged against the current period's change in net assets.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives using the straight-line method. The estimated useful lives used in computing depreciation are as follows:

Leasehold improvements	39 years
Computers, reference materials, and equipment	5 to 7 years
Furniture and fixtures	7 years

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization 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. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2017 or 2016.

THE CAPITAL APPEALS PROJECT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

(1) **Summary of Significant Accounting Policies (continued)**

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Revenues from state grants are recorded when the Organization has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Organization or when otherwise earned under the terms of the grants.

Fee Revenue

Fee revenue from other non-profit or governmental entities is recorded when the Organization has provided the services requested, generally corresponding to the incurring of related professional service costs by the Organization.

Donations

Donated services are recognized as contributions if the services require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization.

The Organization reports contributions of facilities as unrestricted support. During the years ended June 30, 2017 and 2016, the Organization has recorded an in-kind contribution of \$38,000 for use of office space.

Use of Estimates

Management of the Organization has made estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

THE CAPITAL APPEALS PROJECT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

(1) **Summary of Significant Accounting Policies (continued)**

Recent Accounting Pronouncements

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14. *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. The Organization is currently assessing the impact of this pronouncement on the financial statements.

(2) **Concentrations**

The Organization receives approximately more than 45% of its funding from the State of Louisiana Public Defender Board. Included in temporarily restricted grant revenues for the years ended June 30, 2017 and 2016 is \$1,090,000 from the State of Louisiana Public Defender Board.

(3) **Line of Credit**

The Organization has a \$10,000 collateralized line of credit with a financial institution at June 30, 2017 and 2016. The line of credit has an interest rate of 4.25% and is secured by all assets of the Organization. The balance on the line of credit is zero at June 30, 2017 and 2016.

The Organization has two \$100,000 collateralized line of credits with another financial institution at June 30, 2017. These line of credits have an interest rate of 4.50% and are secured by all assets of the Organization. The balances of the lines of credit are zero at June 31, 2017.

(4) **Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2017 of \$374,865 consist of \$342,365 restricted for use on indigent defendants in the State of Louisiana and \$32,500 restricted for a fellowship. Temporarily restricted net assets at June 30, 2016 of \$488,984 consist of \$235,484 restricted for use on indigent defendants in the State of Louisiana, \$32,500 restricted for a fellowship, \$81,000 restricted for a prison conditions project, and \$140,000 restricted for work on the 8th Amendment Project.

(5) **401(k) Plan**

The Organization offers full-time employees who have completed six months of continuous service participation in its 401(k) plan. Employees may contribute up to the maximum level of deferral allowed by the Internal Revenue Service. The plan provides for employer contributions of 5% of each employee's eligible compensation. Employer contributions for the years ended June 30, 2017 and 2016 were \$33,004 and \$30,859.

THE CAPITAL APPEALS PROJECT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

(6) Contingency

The Organization receives a significant amount of funding from the State of Louisiana and grantor agencies, which are governed by rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at June 30, 2017 and 2016 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Organization.

(7) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 19, 2017, and determine that there were no subsequent events requiring disclosure other than the item noted above. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

THE CAPITAL APPEALS PROJECT
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>The Capital Appeals Project</u>	<u>Promise of Justice Initiative</u>	<u>Eliminating Entries</u>	<u>2017</u>
Current assets:				
Cash and cash equivalents, unrestricted	\$ 84,264	\$ 539,486	\$ -	\$ 623,750
Cash and cash equivalents, restricted (Note 4)	342,365	32,500	-	374,865
Grants and fees receivable, net	5,226	31,651	-	36,877
Due from affiliate	8,738	-	(8,738)	-
Total current assets	<u>440,593</u>	<u>603,637</u>	<u>(8,738)</u>	<u>1,035,492</u>
Property and equipment:				
Leasehold improvements	15,706	-	-	15,706
Computers and equipment	39,264	-	-	39,264
Furniture and fixtures	16,204	-	-	16,204
	<u>71,174</u>	<u>-</u>	<u>-</u>	<u>71,174</u>
Less accumulated depreciation	(55,802)	-	-	(55,802)
Net property and equipment	<u>15,372</u>	<u>-</u>	<u>-</u>	<u>15,372</u>
Total assets	<u>\$ 455,965</u>	<u>\$ 603,637</u>	<u>\$ (8,738)</u>	<u>\$ 1,050,864</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable	\$ 15,460	\$ 602	\$ -	\$ 16,062
Due to affiliate	-	8,738	(8,738)	-
Total current liabilities	<u>15,460</u>	<u>9,340</u>	<u>(8,738)</u>	<u>16,062</u>
Net assets				
Unrestricted	98,140	561,797	-	659,937
Temporarily restricted	342,365	32,500	-	374,865
Total net assets	<u>440,505</u>	<u>594,297</u>	<u>-</u>	<u>1,034,802</u>
Total liabilities and net assets	<u>\$ 455,965</u>	<u>\$ 603,637</u>	<u>\$ (8,738)</u>	<u>\$ 1,050,864</u>

See accompanying independent auditors' report.

(continued)

THE CAPITAL APPEALS PROJECT
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (continued)
JUNE 30, 2017 AND 2016

ASSETS

	The Capital Appeals Project	Promise of Justice Initiative	Eliminating Entries	2016
Current assets:				
Cash and cash equivalents, unrestricted	\$ 176,549	\$ 688,026	\$ -	\$ 864,575
Cash and cash equivalents, restricted (Note 4)	235,484	253,500	-	488,984
Grants and fees receivable, net	2,814	19,713	-	22,527
Due from affiliate	35,223	-	(35,223)	-
Total current assets	<u>450,070</u>	<u>961,239</u>	<u>(35,223)</u>	<u>1,376,086</u>
Property and equipment:				
Leasehold improvements	15,706	-	-	15,706
Computers and equipment	39,264	-	-	39,264
Furniture and fixtures	16,204	-	-	16,204
	71,174	-	-	71,174
Less accumulated depreciation	(52,041)	-	-	(52,041)
Net property and equipment	<u>19,133</u>	<u>-</u>	<u>-</u>	<u>19,133</u>
Total assets	<u>\$ 469,203</u>	<u>\$ 961,239</u>	<u>\$ (35,223)</u>	<u>\$ 1,395,219</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable	\$ 18,893	\$ 12,409	\$ -	\$ 31,302
Due to affiliate	-	35,223	(35,223)	-
Total current liabilities	<u>18,893</u>	<u>47,632</u>	<u>(35,223)</u>	<u>31,302</u>
Net assets				
Unrestricted	214,826	660,107	-	874,933
Temporarily restricted	235,484	253,500	-	488,984
Total net assets	<u>450,310</u>	<u>913,607</u>	<u>-</u>	<u>1,363,917</u>
Total liabilities and net assets	<u>\$ 469,203</u>	<u>\$ 961,239</u>	<u>\$ (35,223)</u>	<u>\$ 1,395,219</u>

See accompanying independent auditors' report.

THE CAPITAL APPEALS PROJECT
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

	<u>The Capital Appeals Project</u>	<u>Promise of Justice Initiative</u>	<u>Eliminating Entries</u>	<u>2017</u>
<u>REVENUES AND SUPPORT</u>				
Grant revenues	\$ 1,090,000	\$ 139,695	\$ -	\$ 1,229,695
Fee revenues	33,563	55,177	-	88,740
Other Income	3,850	-	-	3,850
Contributions	2,000	179,017	-	181,017
In-kind contributions	28,500	9,500	-	38,000
Total revenues and support	<u>1,157,913</u>	<u>383,389</u>	<u>-</u>	<u>1,541,302</u>
<u>EXPENSES</u>				
Program services	1,121,089	675,037	-	1,796,126
Support services	46,629	27,662	-	74,291
Total expenses	<u>1,167,718</u>	<u>702,699</u>	<u>-</u>	<u>1,870,417</u>
Change in net assets	(9,805)	(319,310)	-	(329,115)
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>450,310</u>	<u>913,607</u>	<u>-</u>	<u>1,363,917</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 440,505</u>	<u>\$ 594,297</u>	<u>\$ -</u>	<u>\$ 1,034,802</u>

See accompanying independent auditors' report.

(continued)

THE CAPITAL APPEALS PROJECT
CONSOLIDATING STATEMENTS OF ACTIVITIES (continued)
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

	<u>The Capital Appeals Project</u>	<u>Promise of Justice Initiative</u>	<u>Eliminating Entries</u>	<u>2016</u>
<u>REVENUES AND SUPPORT</u>				
Grant revenues	\$ 1,092,852	\$ 565,793	\$ -	\$ 1,658,645
Fee revenues	13,002	553,348	-	566,350
Other Income	3,000	-	-	3,000
Contributions	-	131,897	-	131,897
In-kind contributions	28,500	9,500	-	38,000
Total revenues and support	<u>1,137,354</u>	<u>1,260,538</u>	<u>-</u>	<u>2,397,892</u>
<u>EXPENSES</u>				
Program services	1,092,982	756,579	-	1,849,561
Support services	36,119	27,088	-	63,207
Total expenses	<u>1,129,101</u>	<u>783,667</u>	<u>-</u>	<u>1,912,768</u>
Change in net assets	8,253	476,871	-	485,124
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>442,057</u>	<u>436,736</u>	<u>-</u>	<u>878,793</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 450,310</u>	<u>\$ 913,607</u>	<u>\$ -</u>	<u>\$ 1,363,917</u>

See accompanying independent auditors' report.

THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE AGENCY HEAD

FOR THE YEAR ENDED JUNE 30, 2017

Agency Head Name: Christopher Murell, Executive Director

Purpose	The Capital Appeals Project	Promise of Justice Initiative
Salary	\$100,000	\$-
Benefits-insurance	\$5,378	\$-
Benefits-retirement	\$4,792	\$-
Benefits-Disability/Life	\$706	\$-
Car allowance	\$-	\$-
Vehicle provided by government	\$-	\$-
Per diem	Included in Reimbursements	Included in Reimbursements
Reimbursements	\$1,279	\$1,617
Travel	Included in Reimbursements	Included in Reimbursements
Registration fees	\$602	\$-
Conference travel	\$-	\$-
Continuing professional education fees	\$-	\$-
Housing	\$-	\$-
Unvouchered expenses	\$-	\$-
Special meals	\$-	\$-

See accompanying independent auditors' report.

**INDEPENDENT AUDITORS' 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
The Capital Appeals Project
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 consolidated financial statements of The Capital Appeals Project (the Organization), which comprise the consolidated statement of financial position as of June 30, 2017, and 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, and have issued our report thereon dated December 19, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 consolidated 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 over financial reporting 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Postlethwaite & Netterville

New Orleans, Louisiana
December 19, 2017

THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

(A) Summary of Independent Auditors' Results

- (a) The type of report issued on the financial statements: Unmodified
- (b) Significant deficiencies in internal control were disclosed by the audit of the financial statements: n/a Material weaknesses: n/a
- (c) Noncompliance which is material to the financial statements: n/a
- (d) Management letter comments issued: n/a

(B) Findings Relating to the Financial Statements Reported in Accordance with Louisiana Legislative Auditor Requirements

None.

THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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THE CAPITAL APPEALS PROJECT
NEW ORLEANS, LOUISIANA

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2017

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of the Capital Appeals Project
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of The Capital Appeals Project ("Organization") and the Louisiana Legislative Auditor (LLA) (the specified parties) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Organization's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. 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

We performed the procedures above and noted the following exception.

- **No written policies regarding 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.

We performed the procedures above and noted the following exceptions.

- **No written policies regarding (1) how purchases are initiated**
- **No written policies regarding (2) how vendors are added to the vendor list**
- **No written policies regarding (3) the preparation and approval process of purchase requisitions and purchase orders**
- **No written policies regarding (5) documentation required to be maintained for all bids and price quotes**

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

We performed the procedures above and noted no exceptions.

Written Policies and Procedures (continued)

- d) *Receipts*, including receiving, recording, and preparing deposits

We performed the procedures above and noted the following exception.

- **No written policy regarding the process to identify the completeness of collections**

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

We performed the procedures above and noted the following exception.

- **No written policy regarding (1) payroll processing**

- 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

We performed the procedures above and noted the following exception.

- **No written policy specifying (1) types of services requiring written contracts**
- **No written policy specifying (2) standard terms and conditions**
- **No written policy specifying (3) legal review**

- 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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted the following exception.

- **No written policy regarding (2) dollar thresholds by category of expense**

Management response:

1a) Budgeting: *The Capital Appeals Project ("CAP") has always sought board approval for budget amendments and will clarify the language in the policies and procedures.*

1b) Purchasing: *CAP's policies and procedures clarify that any purchasing request must be made with a pre-created office template and approved by the Executive Director or Director; however, there are no written policies regarding how purchases are initiated; how vendors are added to the vendor list; and documentation required to be maintained for all bids and price quotes. Also, since the organization does not utilize a requisition/purchase order system, there is no written policies regarding the preparation and approval process of purchase requisitions and purchase orders.*

1d) Receipts: *CAP does not have a robust collections policy, because aside from restitution payments received from the court, CAP only contracts with the Louisiana Public Defender Board.*

Written Policies and Procedures (continued)

1e) Payroll Processing: CAP's fiscal policies and procedures require each employee to complete timesheets, and are reviewed by administrative staff and approved by the Executive Director or Deputy Director before payroll is processed. The administrative team is included in these communications. CAP will amend its policies to reflect this procedure. CAP's fiscal policies and procedures require each employee to complete timesheets and are reviewed by administrative staff and approved by the Executive Director or Deputy Director monthly. CAP is willing to add more specific language to its policies and procedures to clarify this.

1f) Contracting: CAP's fiscal policies and procedures require the Executive Director to approve all contracts. Staff is expressly forbidden to enter into a contract without the permission of the ED. However, there were no documented policies regarding types of services requiring written contracts, standard terms and conditions, and legal review.

1h) Travel and Expense Reimbursement: CAP does have dollar thresholds for travel expenses. Travel must be pre-approved. Per Diem rates are \$40 per day on overnight trips. Mileage is comparable to the state rate.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

We performed the procedures above and noted no exceptions.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

We performed the procedures above and noted no exceptions.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

We performed the procedures above and noted no reference to non-budgetary financial information in any of the four board meetings during the year.

Board (or Finance Committee, if applicable)(continued)

Management response:

2c) Non-budgetary financial information referenced in the minutes: Board Members are apprised of all pertinent financial information affecting the organization. These matters are discussed in depth in the case report and financial report at Board Meetings. CAP's Treasurer is also advised of cash balances, spending, and reserve amounts at every pre-board meeting and reports on them accordingly.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

We selected four bank accounts and performed the procedures above. We noted no exceptions.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We selected four bank accounts and performed the procedures above. We noted no exceptions.

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

We selected four bank accounts and performed the procedures above. We noted the following exceptions:

- **2 out of 4 selected year-end bank statements did not have documentation reflecting management has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.**

Management response:

4c) Reconciling Items: CAP does not have a distinct policy to address outstanding bills, but follows up on outstanding payments regularly. CAP is open to instituting a distinct policy in its financial procedures.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

We performed the procedures above and noted the following exceptions:

- **No written documentation stating that the person responsible for collecting cash is (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party).**
- **No written documentation stating that the person responsible for collecting cash is (3) not required to share the same cash register or drawer with another employee.**

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

We performed the procedures above and noted the following exception:

- **No written documentation stating that the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.**

Collections (continued)

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We performed the procedures above and noted the following exception:

- **The Organization does not maintain collection logs or other similar documentation and written policies and procedures do not require such documentation. Therefore, for the one week tested, we could not determine the number of days from receipt to deposit.**
- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We performed the procedures above and noted the following exception:

- **The Organization does not maintain sequentially numbered receipts, system reports, or other related collection documentation supporting cash collections and written policies and procedures do not require such documentation. Therefore, for the one week tested, no collection documentation supporting cash collections was provided.**
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

We performed the procedures above and noted the following exception:

- **No written documentation stating that the entity has a process specifically defined to determine completeness of all collections.**

Management's response:

6a) Cash collection: CAP's sources of income are only through check or EFT payments made directly from the Louisiana Public Defender Board.

Collections (continued)

Management's response (continued):

6b) Cash reconciliation: CAP's sources of income are only through check or EFT payments made directly from the Louisiana Public Defender Board.

6c) Reporting: CAP's policy is to deposit checks within a week of receipt and is facilitated by online banking capacity. CAP infrequently has checks to deposit, and never has cash. CAP's predominant income is received via the state in a direct EFT payment.

7) Completeness of collections: CAP's only collections are from the Louisiana Public Defender Board, who is our grantor. Entering into collections with the state and the LPDB does not apply to the Capital Appeals Project.

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

We performed the procedures above and noted no exceptions.

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

We performed the procedures above and noted the following exception:

- **None of the items tested were initiated using a requisition / purchase order system. The Organization does not utilize a requisition / purchase order system, and written policies and procedures do not require such documentation.**
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

We performed the procedures above and noted the following exception:

- **None of the items tested had a purchase order or electronic equivalent. The Organization does not utilize a requisition / purchase order system, and written policies and procedures do not require such documentation.**

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

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

We performed the procedures above and noted the following exception:

- **None of the items tested had an approved requisition / purchase order or receiving report. The Organization does not utilize a requisition / purchase order system or obtain receiving reports, and written policies and procedures do not require such documentation.**

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

We performed the procedures above and noted the following exception:

- **The Organization does not utilize a purchasing / disbursement system, and written policies and procedures do not require such system.**

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

We performed the procedures above and noted the following exception:

- **The Organization's written policies and procedures do not restrict persons with signatory authority from initiating purchases.**

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, inspect entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

We performed the procedures above and noted no exceptions.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

We performed the procedures above and noted no signature stamp or signature machine is used and no exceptions.

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

Management's response:

9) Utilization of requisition/purchase order system: CAP does not employ a requisition/purchase order system, but in our policies and procedures our system requires a check request and approval from a director before any check is cut.

10) Policies and procedures related to requisition/purchase order system: Vendors are only added to the purchasing system with express permission from the Executive Director. Should the Executive Director or Director need permission they are not allowed to delegate permission to their own request.

11) Initiation of purchase: There are no written policies regarding initiation of purchase; however, the employees cannot approve their own purchases. Only the Executive Director and Deputy Director can approve purchases. This is in our policies and procedures.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

We performed the procedures above and noted no exceptions.

15. Using the listing prepared by management, select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

a) Report whether 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. [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.]

We selected one credit card and performed the procedures above. We noted no exceptions.

b) Report whether finance charges and/or late fees were assessed on the selected statements.

No finance charges or late fees were assessed on the selected statement.

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

We performed the procedures above and noted the following exception:

- **Of the 13 transactions tested, one transaction in the amount of \$9.99 did not have original itemized receipts.**

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

We performed the procedures above and noted the following exception:

- **Of the 13 transactions tested, one transactions in the amount of \$9.99 did not have documentation of business/public purpose.**

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

We performed the procedures above and noted no exceptions.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

We performed the procedures above and noted no exceptions.

c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted the following exception:

- **Of the 13 transactions tested, one transactions in the amount of \$9.99 did not have documentation of business/public purpose and therefore, we could not determine whether the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14.**

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued)

Management's response:

16a) Supporting documentations of transactions: One transaction did not have the itemized receipt, but business purpose is clear and given by management.

16c) Business/public purpose of transactions: One transaction did not have the itemized receipt, but business purpose is clear and given by management.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

We performed the procedures above and noted no exceptions.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

We performed the procedures above and noted no exceptions.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

We performed the procedures above and noted no exceptions.

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

We performed the procedures above and noted no exceptions.

Travel and Expense Reimbursement (continued)

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

We performed the procedures above and noted no exceptions.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

We performed the procedures above and noted no exceptions.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

We performed the procedures above and noted no exceptions.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

We performed the procedures above and noted no exceptions.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

Of the five contracts selected, no contract was subject to the Louisiana Public Bid Law or Procurement Code.

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Of the five contracts selected, no contract was subject to the Louisiana Public Bid Law or Procurement Code.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

We performed the procedures above for the five contracts not subject to the Louisiana Public Bid Law or Procurement Code and noted no exceptions.

Contracts (continued)

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

We performed the procedures above and noted no exceptions.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

We performed the procedures above and noted no exceptions.

- e) Obtain/inspect contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

We performed the procedures above and noted no exceptions.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

We performed the procedures above and noted no exceptions.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

We performed the procedures above and noted no exceptions.

23. Obtain attendance and leave records and select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees/officials (or select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether 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.)

We performed the procedures above and noted no exceptions.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

We performed the procedures above and noted no exceptions.

Payroll and Personnel (continued)

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We performed the procedures above and noted no exceptions.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No terminations payments in fiscal year 2017.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We performed the procedures above and noted no exceptions. Capital Appeals Project uses a third-party payroll service provider. Required reporting related to payroll taxes and retirement contributions is administered by the service provider.

Ethics

Items 26-27 were not included as not applicable to nonprofits.

Debt Service (excluding nonprofits)

Items 28-30 were not included as not applicable to nonprofits.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/inspect supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No misappropriations of public funds or assets.

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

We performed the procedures above and noted exceptions. No notice required by R.S. 24:523.1 posted on premise or website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

We performed the procedures above and noted no exceptions.

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

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

Postlethwaite & Netterville

New Orleans, Louisiana
December 19, 2017