Luther Speight & Company
Certified Public Accountants and Consultants

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.

(A Nonprofit Organization)

FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2019

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Luther Speight & Company
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Neighborhood Development Foundation, Inc.

We have audited the accompanying financial statements of the Neighborhood Development Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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 an opinion 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. 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As explained in Note 11 to the financial statements, the Foundation's primary grantor suspended the grant funding and requested supporting documentation for the eligible use of program income totaling $1.1 million. The Foundation did not record an allowance for doubtful accounts to reflect the potential effects to their financial statements related to the collectability of the accounts receivable stated at $345,687. Furthermore, as noted in Finding 2019-006, the Foundation did not accrue for mechanic's liens filed against certain properties totaling $125,613. As a result, accounts payable, stated at $2,315 as of December 31, 2019, and program service expenses, stated at $785,213 for the year ended December 31, 2019, are both understated.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of compensation, benefits, and other payments to agency head (the schedule) are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021 on our consideration of the Foundation'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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Luther Speight & Co

Luther Speight & Company CPAs
New Orleans, Louisiana
March 31, 2021

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

Assets		
Cash and Cash Equivalents	$	169,160
Accounts Receivable		345,687
Other Assets		353
Project Development Costs - VA		415,253
Fixed Assets (Net)		758,117
Total Assets		1,688,570
Liabilities and Net Assets		
Liabilities		
Accounts Payable		2,315
Credit Card Payable		13,475
Payroll Liabilities		3,639
Lines of Credit		244,893
Recoverable Grant Payable		132,000
Mortgage Payable		39,694
Deferred Liens - VA Project		31,500
Total Liabilities		467,516
Net Assets		
Without Donor Restrictions		837,301
With Donor Restrictions		383,753
Total Net Assets		1,221,054
Total Liabilities and Net Assets	$	1,688,570

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

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Grant Revenues	$ -	$ 263,109	$ 263,109
Program Income	470,111	-	470,111
Investment Income	3,032	-	3,032
Miscellaneous Income	46,703	-	46,703
Program Service Fees	48,255	-	48,255
Contribution Income	3,602	-	3,602
Released from Restrictions	848,566	(848,566)	-
Total Public Support and Revenues	1,420,269	(585,457)	834,812
Expenditures			
Program Services	812,223	-	812,223
General & Administrative	388,719	-	388,719
Total Expenditures	1,200,942	-	1,200,942
Change in Net Assets	219,327	(585,457)	(366,130)
Beginning Net Assets	617,974	969,210	1,587,184
Ending Net Assets	$ 837,301	$ 383,753	$ 1,221,054

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

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2019

	Program Services	General Operating	Total
Expenditures			
Program Service Expenses	$ 785,213	-	$ 785,213
Salaries and Benefits	-	246,969	246,969
Professional Services	23,567	17,655	41,222
Depreciation Expense	-	27,463	27,463
Interest Expense	-	21,006	21,006
Insurance Expense	2,170	17,196	19,366
Utilities	73	13,409	13,482
Office Expense	-	12,955	12,955
Repairs and Maintenance	1,200	10,975	12,175
Contract Services	-	11,395	11,395
Janitorial Expense	-	7,678	7,678
Other Expenditures	-	2,018	2,018
Total Expenditures	$ 812,223	$ 388,719	$ 1,200,942

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

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	(366,130)
Adjustments to reconcile net income to net cash:	
Depreciation Expense	27,463
Changes in assets and liabilities	
Increase in Receivables	(25,311)
Decrease in Other Current Assets	739
Decrease in Accounts Payable	(102,957)
Increase in Payroll Liabilities	3,639
Net Cash Used by Operating Activities	(462,557)
CASH FLOWS FROM INVESTING ACTIVITIES	
Development Costs - VA Project, Net	631,357
Net Cash Provided by Investing Activities	631,357
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments of Notes Payable (Net)	(43,182)
Payments of Mortgage Payable	(23,389)
Borrowings of Line of Credit (Net)	20,846
Payments of Deferred Liens - VA Project	(45,900)
Net Cash Used by Financing Activities	(91,625)
Net Change in Cash and Cash Equivalents	77,175
Cash and Cash Equivalents - Beginning of Period	91,985
Cash and Cash Equivalents - End of Period	$ 169,160
<u>Supplemental Cash Flow Information</u>	
Cash paid during the year for interest	21,006

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

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – ORGANIZATION

New Orleans Neighborhood Development Foundation ("the Foundation") was incorporated under the laws of the State of Louisiana on April 15, 1986. Its mission is to help low and moderate income families become homeowners, with the specific aim of placing at least 100 low and moderate income families in their own homes each year. The operations of the Foundation focus on educating and assisting low and moderate-income families to build community assets through homeownership. The Foundation achieves this by providing knowledge, education, and advocacy to the New Orleans community that makes owning and maintaining a home affordable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting
The Foundation is a non-profit, community-based organization whose financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

Basis of Reporting
In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the Foundation classifies resources for accounting and reporting purposes into two net asset categories which are with donor restrictions and without donor restrictions. A description of these two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of The Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of The Foundation and therefore, the Foundation's policy is to record those net assets as without donor restrictions.

- Net assets with donor restrictions include funds that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At December 31, 2019, The Foundation had $383,753 in net assets with donor restrictions. These are related to the Veterans Administration Project detailed in Note 10.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Furniture, Fixtures and Equipment
Furniture, fixtures and equipment of The Foundation are recorded as assets and are stated at historical cost, if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Long-lived assets over $1,000 are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of assets as follows:

Furniture and Equipment	3-7 Years
Building and Improvements	10 - 27.5 Years

Such assets and related accumulated depreciation consists of the following:

Land	$	45,000
Furniture, Fixtures, and Equipment		90,823
Building and Improvements		1,034,682
Accumulated Depreciation		(412,388)
Net Fixed Assets	$	758,117

Depreciation expense for the year then ended December 31, 2019 was $27,463.

Revenue Recognition
Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as revenue with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Conditional contributions are recognized when the barriers to entitlement are overcome and the promises become unconditional. Unconditional contributions are recognized as revenue when received. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award. Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Investments

Investments are presented in accordance with requirements established by FASB ASC 320. Under FASB ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Market Risk

Market risk is the risk of losses in positions arising from movements in market prices. Market risk include equity risk, interest rate risk, and currency risk.

Receivables

The Foundation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Functional Expenses

The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments
Cash, cash equivalents, and temporary investments carrying amounts reported in the Statement of Financial Position approximate fair values because of the short maturities of those instruments. The fair values of marketable securities are based on quoted market prices for those similar investments.

Cash Equivalents
The Foundation considers all cash in demand deposits and investments purchased with a maturity date of three months or less to be cash equivalents.

NOTE 3– MORTGAGE PAYABLE- FOUNDATION FOR LOUISIANA, INC.

The Foundation currently has an outstanding mortgage payable due to the Foundation for Louisiana. The outstanding balance of the mortgage payable as of the year ended December 31, 2019 totaled $39,694.

The note dated October 15, 2010 bears an interest rate of 3% payable in quarterly installments. The note is secured by land and buildings. The amortizations of principal for the remaining periods are as follows:

Year Ended	Principal Payments Due
2020	$ 39,694
Total	$ 39,694

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and Cash Equivalents	$ 169,160
Accounts Receivable	345,687
	$ 514,847

NOTE 5 - FINANCING ACTIVITIES

Lines of Credit

The Foundation has three unsecured lines of credit with a financial institution in the amount of \$62,000, \$100,000 and \$150,000. As of December 31, 2019, the Foundation had borrowings against the lines of \$22,958, \$123,196, and \$98,739, respectively. The interest rates as of December 31, 2019 were 3%, 6.75% and 6.75%, respectively.

NOTE 6 – GRANT REVENUES

The Foundation is the recipient of federal awards. Included in grant revenue are federal funds disbursed from different funding sources to provide funds for the implementation of various community programs as well as to support the operations of the Foundation. In addition, the Foundation receives grants from private sources. Grant Revenues at December 31, 2019 consist of the following:

VA Project	$	133,542
Hancock/Whitney		50,000
Capital One Bank		25,000
Louisiana Housing Corporation		17,777
Brown Foundation		10,000
Emerging Philanthropists of NOLA		10,000
Regions Bank		7,500
Wells Fargo		7,500
Foundations		1,250
United Way - SELA		540
	$	263,109

NOTE 7 – INCOME TAXES

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

NOTE 8 – CONTINGENCIES

The Foundation is a recipient of several grants and awards of federal funds. These grants and awards are governed by various federal guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants and awards is under the control and administration of the Foundation, and is subject to audit and /or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

NOTE 9 – COMPENSATED ABSENCES

The Foundation did not record a liability related to amounts due to employee compensated absences. Management determined that these balances are not material.

NOTE 10 – VETERANS ADMINISTRATION (VA) PROJECT

During the 2015 fiscal year, the Foundation executed a Cooperative Endeavor Agreement (CEA) with the City of New Orleans for the purpose of acquisition, renovation and sale of nineteen (19) homes in Orleans Parish. The CEA included a funding award of $2 million from the City's Disaster Community Development Grant (DCDBG). In connection with the development, the Foundation engaged a Contractor to serve as general contractor. The Contractor executed a guaranteed minimum price (GMP) contract totaling $1,788,810 to complete the project.

The agreement with the Contractor included a stipulation that the Contractor agreed to pay a developer fee to the Foundation totaling $173,000. This fee is provided to assure that the Foundation has adequate resources to effectively oversee the project. This amount is repayable to the Contractor from project proceeds as the funds become available. As of December 31, 2019, the Foundation did not owe the Contractor any outstanding payables. In addition, as of December 31, 2019, there was $31,500 in deferred liens on these properties. There were also outstanding amounts due to the Foundation from the grantor totaling $251,466.

Cumulative acquisition and construction related costs totaled $415,253. These costs are recorded as Project Development Costs – VA at December 31, 2019 on the Statement of Financial Position. During the 2019 year, the Foundation sold three (3) houses and generated net program income totaling $470,111. These program income funds were retained by the Foundation.

NOTE 11 – MONITORING REVIEW REPORT

During November 2018, the Foundation received a Fiscal and Programmatic Monitoring Review from the Office of Community Development. The Review, which had a report date of October 2019, resulted in five findings, which are defined as a deficiency in the program performance based on statutory or regulatory requirements for which sanctions or corrective actions are authorized. As a result of these findings, all program income (approximately $1.1 million) will be considered disallowed and subject to repayment until the OCD receives all support for the findings. Also, any future payments to the Foundation will be on hold until the issues are resolved. See Note 13 for details of additional correspondence the Foundation received subsequent to year end.

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS

On June 21, 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The Foundation has applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated.

In May 2014, the FASB issued ASU 2014-09 *Revenue From Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 was originally effective for nonpublic entities for annual periods beginning after December 15, 2018. On June 3, 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)* that extended the effective date for certain entities, including the Foundation, to annual periods beginning after December 15, 2019. The Foundation is currently evaluating the effects of this ASU.

In 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) that extended the effective date for certain entities, including the Foundation, to annual periods beginning after December 15, 2021. The Foundation is currently evaluating the effects of this ASU.

NOTE 13 – SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) spread across multiple countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions to operations and the ability for employees to perform their duties.

During January 2021, management received additional correspondence related to the Monitoring Review Report noted in Note 11 from the OCD. In the letter dated January 15, 2021, the OCD stated that if all supporting documents previously requested were not provided to the City of New Orleans within 30 days, then the City will take legal action. As of March 31, 2021, the resolution of the issues noted in the letter have not been determined.

Management evaluated subsequent events as of March 31, 2021, which is the date these financial statements were available to be issued. Management has noted that there are no additional disclosures or adjustments to these financial statements required.

Luther Speight & Company
Certified Public Accountants and Consultants

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 of
Neighborhood Development Foundation, Inc.

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 the Neighborhood Development Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Foundation'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 of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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 deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-006 to be material weaknesses.

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Continued,

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Foundation'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 instances 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 items 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006.

Management's Response to Findings
The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation'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 the Foundation'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.

Luther Speight & Company CPAs

New Orleans, Louisiana
March 31, 2021

Luther Speight & Company
Certified Public Accountants and Consultants

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 of
New Orleans Neighborhood Development Foundation, Inc.

Report on Compliance for Each Major Federal Program

We have audited New Orleans Neighborhood Development Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2019. The Foundation'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation'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 qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Continued,

Basis for Qualified Opinion on the Disaster Recovery Program
As described in the accompanying schedule of findings and questioned costs at Finding #2019-003, the Foundation did not maintain adequate accountability for program income related to its federally funded construction *project CFDA 14.225 Disaster Recovery Program*. Compliance with such requirements is necessary, in our opinion, for the Foundation to comply with the requirements applicable to that program.

Qualified Opinion on the Disaster Recovery Program
In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Disaster Recovery Program for the year ended December 31, 2019.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-004, 2019-005 and 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

The Foundation's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance
Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation'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 the Foundation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

Continued,

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-003 and 2019-006 to be material weaknesses.

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.

The Foundation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was no subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Luther Speight & Co

Luther Speight & Company CPAs
New Orleans, Louisiana
March 31, 2021

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

Federal Grantor	Pass-through Grantor	CFDA Number	Program Title	Award Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	State of Louisiana and Louisiana Housing Corporation			
		14.169	Housing Counseling Assistance Program	$ 17,777
	State of Louisiana and City of New Orleans, Office of Facilities, Infrastructure and Community Development			
		14.225	Community Development Block Grants -Disaster Recovery Program	794,446
		14.225	Community Development Block Grants -Disaster Recovery Program - Program Income	469,386
			TOTAL FEDERAL EXPENDITURES	$ 1,281,609

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Foundation, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – INDIRECT COST RATE

The Foundation has not elected to use the ten percent (10%) indirect cost rate allowed under the Uniform Guidance.

NOTE C – LOAN AND LOAN GUARANTEES

The Foundation did not expend federal awards related to loans or loan guarantees during the year ended December 31, 2019. The Foundation had no loans outstanding at the year ended December 31, 2019.

NOTE D – FEDERALLY FUNDED INSURANCE

The Foundation has no federally funded insurance.

NOTE E – NONCASH ASSISTANCE

The Foundation did not receive any federal noncash assistance for the year ended December 31, 2019.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

Section I – Summary of Auditor's Results

Financial Statements

A qualified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified?	_X_ yes	___ no
Significant deficiencies identified not considered to be material weaknesses?	_X_ yes	___ no

Noncompliance material to financial statements noted?	_X_ yes	____ no

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_X_ yes	___ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes	_X_ no

A qualified opinion was issued on compliance.

Other matters or instances on noncompliance required to be reported in accordance with the Uniform Guidance?	_X_ yes	___ no

The major programs for the year ended December 31, 2019 were as follows:

1. Community Development Block Grants – Disaster Recovery Program – CFDA 14.225

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee did not qualify as a low-risk auditee.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

Section II – Financial Statement Findings

Finding #2019-001: Credit Card Payable Balances Not Reconciled

Criteria:
Generally accepted accounting principles require that financial statement balances reconcile to supporting documentation for financial reporting purposes.

Condition:
During our examination we noted that credit card balances as of December 31, 2019 did not reconcile to the Foundation's general ledger.

Cause:
The Foundation's monthly closing procedures did not include proper reconciliation of credit card payable balances.

Effect:
The financial statement balance for credit cards payable reported at $13,475 does not appear to be fairly stated.

Recommendation:
We recommend that the Foundation update its monthly accounting close procedures to include reconciliation of the credit card payables.

Management's Response:
Management accepts the recommendation to update its monthly accounting close procedures to include reconciliation of the credit card payables.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

Finding #2019-002: Timely Submission of Annual Audit Report

Criteria:
Louisiana state statute 2:511 – 2:559, Louisiana Audit Law, states that quasi-public entities with more than $500,000 in revenue must submit their audited financial reports to the Louisiana Legislative Auditor within six (6) months of the close of the auditee's fiscal year. Due to the COVID-19 global pandemic, the Foundation was granted multiple extensions, with a final due date of March 31, 2021.

Condition:
The Foundation did not remit the annual audited financial statements to the Louisiana Legislative Auditor within the required deadline.

Cause:
Matters related to the monitoring report noted in Note 13 contributed to the late completion and filing of the report.

Effect:
Late submission causes the auditee to be put on the non-compliance list and can result in withholding of state and/or federal pass-through funding to the auditee.

Recommendation:
The Foundation should implement policies and procedures to ensure timely filing of any and all required reports.

Management's Response:
Management will follow the recommendation and implement policies and procedures to ensure timely filings of any and all required reports as required, even during the pandemic and any other disaster related event.

Section III – Federal Awards Findings

Finding# 2019-003: Procedures and Controls Over Program Income Not Adequate
Questioned Cost: $1,225,859

Criteria:
The Cooperative Endeavor Agreement between the Foundation and the City of New Orleans stipulates that any funds derived from CDBG grant funded activities carried out by the subrecipient shall be considered program income and shall be returned or retained by the subrecipient pending City of New Orleans approval for activities pursuant to and for the duration of this agreement and in a manner consistent with the requirements set forth at 24 CFR 570.504. The subrecipient agrees that any amounts to be refunded to the City of New Orleans or retained by the subrecipient shall be reported monthly in accordance with Exhibit H. All program income shall be maintained separately by the subrecipient before additional funds are requested from the City, except for an amount as determined by the City to be necessary to maintain the bank account.

Condition:
The Foundation sold three (3) houses during 2019 that generated program income totaling $470,111. Although the Foundation's approved budget for the Project included program income, specific approvals for retention and subsequent disbursement of the program income was not obtained from the City of New Orleans in accordance with the Cooperative Endeavor Agreement.

The program income related to the three (3) houses is in addition to program income authorization and eligibility from prior years totaling $755,748, resulting in a cumulative total of $1,225,859. The disposition of the cumulative amount remains unresolved between the grantor and the Foundation The grantor has requested full support for all program income utilization and grantor authorization be submitted to the grantor. The grantor further indicated that recovery of all program income may be enforced subject to their review.

Cause:
We were unable to determine the cause for this condition.

Effect:
We were unable to determine if the Foundation's retention of program income and subsequent disbursement of those funds for rehabilitation expenses were approved by the grantor and accordingly eligible as a grant cost in accordance with program guidelines and the Cooperative Endeavor Agreement.

Finding# 2019-003: Procedures and Controls Over Program Income Not Adequate (Continued)

Recommendation:
We recommend that the Foundation provide the information requested by the grantor and seek timely resolution to the outstanding program income matters. The foundation should receive grantor approval before expenditure of future program income amounts received.

Management's Response:
Management has provided the requested information by the grantor and continues to seek timely resolution to any and all outstanding program income and unpaid construction and developer fees. Management also continues to seek timely resolution and approval of the program income plan submitted in 2018 in compliance with the CEA renewal.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

Finding# 2019-004: No Monitoring of Federal Labor Standards Provisions/Davis Bacon and Related Act Requirements

Criteria:
All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account, the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the subrecipient and such laborers and mechanics.

Condition:
The Foundation did not monitor the general contractor compliance with federal Davis Bacon Act wage compliance related to the HUD VA project.

Cause:
We were unable to determine the cause for this condition.

Effect:
We were unable to determine if the wages paid under this project were in compliance with the Davis Bacon Act.

Recommendation:
We recommend that the Foundation implement monitoring procedures to assure compliance with the Davis Bacon Act.

Management's Response:
While the Foundation does not employ laborers and/or mechanics that would subject us to Davis Bacon and Related Act labor standards, at such time when the Foundation does hire such employment, the recommendation regarding compliance shall be developed and adhered to.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019

Finding# 2019-005: Timely Submission of Federal Audit Clearinghouse Filing

Criteria:
2 CFR requires that non-Federal entities that expend $750,000 or more in a year in Federal awards must submit their audited annual financial reports and the data collection form to the Federal Audit Clearinghouse within thirty (30) days after receipt of the auditor's report, or nine (9) months of the close of the auditee's fiscal year. Due to the COVID-19 global pandemic, the Office of Management and Budget (OMB) granted an automatic extension up to three (3) months beyond the normal due date.

Condition:
The Foundation did not remit the annual audited financial statements and the data collection form within 12 months after year-end as required by the Uniform Guidance.

Cause: Matters related to the monitoring report noted in Note 13 contributed to the late completion and filing of the report.

Effect:
Late submission causes the Foundation to be put on the non-compliance list and can result in withholding of federal pass-through funding.

Recommendation:
The Foundation should implement policies and procedures to ensure timely filing of any and all required reports.

Management Response:
Management will follow the recommendation and implement policies and procedures to ensure timely filings of any and all required reports as required, even during the pandemic and any other disaster related event.

Finding# 2019-006: Mechanic's Liens and Other Payables Not Accrued and Reported

Criteria:
Generally accepted accounting principles require that all costs incurred by an organization be accrued and reported as program expenditures upon authorization by the Foundation reflecting acceptance of the goods and/or services.

Condition:
Mechanic's liens were filed against certain properties that were developed under the Veterans Administration (VA) Home Restoration Program totaling $125,613. These amounts were not accrued and reported as accounts payable in the December 31, 2019 financial statements. We were unable to determine if additional amounts were not accrued and recorded as of the year ended December 31, 2019.

Cause:
We were unable to determine the cause for the unrecorded transactions.

Effect:
The financial statement liabilities and program expenditures appear to be understated.

Recommendation:
We recommend that the Foundation accrue all program expenditures that remain unpaid as of December 31, 2019.

Management Response:
Management accepts the recommendation to accrue all program expenditures that remain unpaid as of December 31, 2019.

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
STATUS OF PRIOR YEAR FINDINGS
DECEMBER 31, 2019

Finding #	Description	Resolved/Unresolved?
2018-01	Procedures and Controls Over Program Income Not Adequate	Unresolved → Finding #2019-003
2018-02	No Monitoring of Federal Labor Standards Provisions/Davis Bacon and Related Act Requirements	Unresolved → Finding #2019-004

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCEY HEAD
DECEMBER 31, 2019

Agency Head Name: Fred J. Johnson, Jr.

Purpose	**Amount**
Salary	$ 73,944
Benefits-insurance	686.88
Benefits-retirement	0.00
Benefits: Communication Service	0.00
Car allowance	N/A
Vehicle provided by government	N/A
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	N/A
Unvouchered expenses*	N/A
Special meals	N/A

Luther Speight & Company
Certified Public Accountants and Consultants

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.

AGREED-UPON PROCEDURES

REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

Celebrating 30 Years

Luther Speight & Company
Certified Public Accountants and Consultants

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of New Orleans Neighborhood Development Foundation, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by New Orleans Neighborhood Development Foundation, Inc. and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity'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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

   a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

   Results: *The Policies & Procedures address the above elements.*

   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.

   Results: *The Policies & Procedures addresses each of the elements above except for (2).*

   Management's Response: *Employees responsible for processing are prohibited from adding/modifying vendor files, unless another employee is responsible for it periodically.*

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

Results: *The Policies & Procedures address the elements above.*

d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Results: *The Policies & Procedures address the elements above.*

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

Results: *The Policies & Procedures address the elements above.*

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

Results: *The Policies & Procedures address the elements above.*

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

Results: *The Policies & Procedures address the elements above.*

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

Results: *The Policies & Procedures address the elements above.*

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.

Results: *Ethics requirements are not applicable to nonprofits.*

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

Results: *Debt service requirements are not applicable to nonprofits.*

k) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: *The Policies & Procedures address the elements above.*

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: The Board met in April, June, July, August, September, October and November 2019

b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, 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.*

Results: The minutes reference discussion of the financial statements at each meeting as well as public funds via the City of New Orleans. The April 2019 meeting included adopting the agency's calendar year budget.

c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: *This entity is a non-profit organization and not a Governmental entity. This Step is Non-applicable*

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:

Results: Listing of bank accounts and management's representation were obtained.

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);

Results: *Of the Organization's five bank accounts, we do not have any documented evidence they were prepared within 2 months of the statement closing date.*

Management Response: *Because we have a small staff both the CEO and the COO handles organization transitions and therefore would not be the authorizing agent to sign the bank statement. However, bank statements are included in board of directors' financial reports. Forward Staff will send the financials and reconciliation reports to the Board Treasurer with a signature sheet and/or a read receipt email for confirmation that the documents have been sent and received.*

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

Results: *The observed bank reconciliations were prepared by the contract accountant; however, there is no documentation denoting that the bank reconciliations were reviewed by a member of management with no involvement in the transactions associated with the bank account.*

Management's Response: *See response at a) above.*

c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: *We noted 15 reconciling items that were noted as being outstanding for more than 12 months*

Management Response: *See response at a) above*

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).

   Results: *Neighborhood Development Foundation's only cash/check/money order collection location is 1429 South Rampart, New Orleans, LA.*

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.

   Results: *Neighborhood Development Foundation employees that are responsible for cash collections do not share cash drawers/registers.*

   b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

   Results: *NDF uses a Daily Receipt of Cash Document; the Daily receipt of Cash Document is prepared by the intake coordinator and its reviewed by the executive vice president. Cash receipts are deposited by the CEO and recorded to the general ledger by the contract accountant.*

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.

Results: *NDF has adequate segregation of duties for the collection process.*

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.

Results: *NDF has adequate segregation of duties for the collection process.*

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

Results: *Neighborhood Development Foundation provided an insurance policy noting fidelity bond coverage.*

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.

Results: We noted *Receipts are in sequentially pre-numbered.*

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

Results: *It appears that daily collections are supported by documentation; no exceptions noted.*

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

Results: *Traced the deposit slip total to the actual deposit per the bank statement; no exception noted.*

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).

Results: *It appears that deposits were made within one day of collections.*

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

Results: *Traced the deposit slip total from the Bank Statement to the General Ledger; no exception noted.*

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).

   Results: *Obtained a complete listing of the cumulative general ledger population.*

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.

   Results: *NDF has adequate segregation of duties in the Disbursement process.*

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

   Results: *NDF has adequate segregation of duties in the Disbursement process.*

   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.

Results: *The organization does not have a written policy that documents who is authorized to add vendors to the entity's purchasing/disbursement system. However, it appears that two parties (I.e., Chief Executive Officer, Executive Vice President) with roles in processing payments could add vendors to the entity's purchasing/disbursement system.*

Management's Response: *The Organization's vendor payments are processed by the consulting accounting firm. The Executive Vice President makes requests for payment via billing and/or invoice and the CEO and one of the four Executive Board Members reviews billing and/or invoices along with attached payment method and signs for approval.*

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.

Results: *NDF has adequate segregation of duties in the Disbursement process.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a) Observe that the disbursement matched the related original invoice/billing statement.

Results: *We noted the disbursements in our sample matched the supporting invoices. No exceptions noted.*

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: *We noted adequate segregation of duties during our testing of the sample.*

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.

Results: *We obtained a list of active organizational credit cards including the card numbers and names of persons (i.e., CEO, Executive Vice President) who maintained possession of the cards; and we received confirmation from the management that the list was complete.*

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

   a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) 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.)]

   Results: *We noted evidence of review and approval of the credit card statements.*

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

   Results: *We noted no late fees noted on each of the credit card accounts selected.*

13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

    Results: *All 3 Credit Card accounts had the proper supportive information, an original receipt was present, Written documentation of the business purpose was noted, and documentation for individuals participating were documented. No exceptions were noted.*

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

Observation: We noted no findings in this section for the year ended December 31, 2018. Therefore, we determined this section was not necessary for the year ended December 31, 2019.

Contracts

Observation: We noted no findings in this section for the year ended December 31, 2018. Therefore, we determined this section was not necessary for the year ended December 31, 2019.

Payroll and Personnel

Observation: We noted no findings in this section for the year ended December 31, 2018. Therefore, we determined this section was not necessary for the year ended December 31, 2019.

Ethics

Results: We noted this section was not applicable to the Foundation for the year ended December 31, 2019.

Debt Service

Results: We noted this section was not applicable to the Foundation for the year ended December 31, 2019.

Other

14. 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.

    Results: *Per Discussion with Management, the organization had no misappropriations of public funds or assets during the year ended December 31, 2019.*

15. 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 Foundation did post the required notice on their premises but not on their website.*

    Management's Response: *The Foundation will update its website to include the applicable language.*

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.

Luther Speight & Co

Luther Speight & Company CPA's
New Orleans, Louisiana
March 31, 2021