

HEARTS OF HOPE
FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2017 AND 2016

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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
 Hearts of Hope
 Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts of Hope, as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted of the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, on our consideration of Hearts of Hope'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hearts of Hope's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 7, 2018

HEARTS OF HOPE

Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 441,667	\$ 225,798
Grant funds receivable	98,018	86,944
Other receivables	18,134	158,299
Prepaid expenses	7,185	7,743
Inventory	<u>-</u>	<u>10,085</u>
Total current assets	<u>565,004</u>	<u>488,869</u>
PROPERTY AND EQUIPMENT		
Building	517,562	517,562
Office equipment, furniture and fixtures	68,371	68,371
Leasehold improvements	35,964	35,964
Less: accumulated depreciation	<u>(130,329)</u>	<u>(114,571)</u>
Total property and equipment	<u>491,568</u>	<u>507,326</u>
OTHER ASSETS		
Unamortized loan costs, net	-	348
Beneficial interest in assets held by others	<u>62,585</u>	<u>57,773</u>
Total other assets	<u>62,585</u>	<u>58,121</u>
TOTAL ASSETS	<u>\$ 1,119,157</u>	<u>\$ 1,054,316</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,643	\$ 14,426
Accrued payroll	9,005	6,680
Accrued compensated absences	1,239	-
Notes payable	<u>3,868</u>	<u>3,595</u>
Total current liabilities	<u>21,755</u>	<u>24,701</u>
LONG TERM DEBT - NET OF CURRENT PORTION	<u>-</u>	<u>55,913</u>
TOTAL LIABILITIES	<u>21,755</u>	<u>80,614</u>
NET ASSETS		
Unrestricted net assets	1,034,817	860,016
Temporarily restricted net assets	<u>62,585</u>	<u>113,686</u>
Total net assets	<u>1,097,402</u>	<u>973,702</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,119,157</u>	<u>\$ 1,054,316</u>

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statements of Activities

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
SUPPORT		
Donations	\$ 335,788	\$ 229,889
Nonprofit Designations	-	81
United Way of Acadiana	22,725	46,713
Fundraisers	<u>46,797</u>	<u>64,263</u>
Total support	405,310	340,946
REVENUES		
Service fees	62,751	34,300
Interest income	514	200
Miscellaneous	<u>2,691</u>	<u>79,884</u>
Total support and revenues	471,266	455,330
Total net assets released from restrictions	<u>588,944</u>	<u>421,364</u>
Total unrestricted support	<u>1,060,210</u>	<u>876,694</u>
EXPENSES		
Program Activities		
Children's Advocacy Center	255,505	237,398
Sexual Abuse Response Center	275,920	186,918
Sexual Assault Nurse Examiners	<u>174,641</u>	<u>170,237</u>
Total	706,066	594,553
Management and general expenses	<u>179,343</u>	<u>137,115</u>
Total expenses	<u>885,409</u>	<u>731,668</u>
Increase in unrestricted net assets	<u>174,801</u>	<u>145,026</u>
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT		
Blue Cross Blue Shield Angels of Change	1,000	25,000
Children's Trust Fund	3,044	-
Combined Federal Campaign	95	979
Crime Victims Act	375,812	276,331
Enterprise Holdings Foundation	3,500	-
Grainger Foundation	5,000	5,000
LCG Grant- External Agency	15,000	14,376
Lourdes Foundation	5,000	-
Moody Foundation	-	1,500
National Children's Alliance	14,737	9,000
Rape Prevention Education	33,306	32,415
Sexual Assault Services Program	40,295	29,807
VAWA Grant	28,948	22,969
Woman's Foundation, Inc.	5,000	-
Zonta Club of Lafayette Foundation, Inc.	1,600	800
Miscellaneous	<u>-</u>	<u>1,036</u>
Total support	\$ 532,337	\$ 419,213

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statements of Activities

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Investment earnings on endowment	\$ 1,146	\$ 1,133
Net realized and unrealized gain on investments	<u>4,360</u>	<u>1,941</u>
Total support and revenues	537,843	422,287
Net assets released from donor restrictions	<u>(588,944)</u>	<u>(421,364)</u>
Change in temporarily restricted net assets	<u>(51,101)</u>	<u>923</u>
INCREASE IN NET ASSETS	123,700	145,949
NET ASSETS AT BEGINNING OF YEAR	<u>973,702</u>	<u>827,753</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,097,402</u>	<u>\$ 973,702</u>

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statement of Functional Expenses
Year ended December 31, 2017

	CAC PROGRAM ACTIVITIES	SARC PROGRAM ACTIVITIES	SANE PROGRAM ACTIVITIES	MANAGEMENT AND GENERAL	TOTAL
Salaries	\$ 125,707	\$ 146,658	\$ 62,853	\$ 83,806	\$ 419,023
Employee benefits -					
Payroll taxes	9,476	11,055	4,738	6,316	31,585
Group insurance	16,771	19,566	8,385	11,180	55,902
Retirement	<u>1,557</u>	<u>492</u>	<u>-</u>	<u>-</u>	<u>2,049</u>
Total payroll and related expenses	153,511	177,771	75,976	101,302	508,559
Annual project/fundraising	20,436	23,843	-	-	44,279
Bank charges	-	-	-	694	694
Cleaning	-	-	-	5,200	5,200
Client services	23,210	27,079	-	-	50,289
Contract labor	15,112	-	60,448	-	75,560
Depreciation and amortization	4,832	5,637	2,416	3,221	16,106
Dues and fees	405	472	202	270	1,349
Education and professional development	6,432	7,504	3,216	4,289	21,441
Foundation/board	-	-	-	1,643	1,643
Insurance	4,757	5,550	2,378	3,171	15,856
Interest	-	-	-	369	369
Legal and accounting	-	-	-	12,725	12,725
Meetings and receptions	2,886	3,367	1,443	1,925	9,621
Miscellaneous expense	625	729	312	417	2,083
Office expenses/supplies	7,364	8,591	3,682	4,910	24,547
Public relations	2,755	-	-	1,837	4,592
Rape kits and supplies	-	-	17,978	-	17,978
Rent/building maintenance	-	-	-	16,804	16,804
Taxes and licenses	-	-	-	2,578	2,578
Technology	4,652	5,428	2,326	3,102	15,508
Telephone	1,387	1,618	694	925	4,624
Travel	6,838	7,978	3,419	4,558	22,793
Utilities	-	-	-	9,202	9,202
Volunteer development	<u>303</u>	<u>353</u>	<u>151</u>	<u>202</u>	<u>1,009</u>
TOTAL EXPENSES	<u>\$ 255,505</u>	<u>\$ 275,920</u>	<u>\$ 174,641</u>	<u>\$ 179,344</u>	<u>\$ 885,409</u>

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statement of Functional Expenses
Year ended December 31, 2016

	CAC PROGRAM ACTIVITIES	SARC PROGRAM ACTIVITIES	SANE PROGRAM ACTIVITIES	MANAGEMENT AND GENERAL	TOTAL
Salaries	\$ 123,288	\$ 112,009	\$ 80,896	\$ 72,728	\$ 388,921
Employee benefits -					
Payroll taxes	8,820	8,013	5,787	5,202	27,822
Group insurance	23,099	11,899	-	-	34,998
Retirement	587	186	-	-	773
Total payroll and related expenses	155,794	132,107	86,683	77,930	452,514
Annual project/fundraising	16,997	15,443	-	-	32,440
Bad debt expense	-	-	7,701	-	7,701
Bank charges	-	-	-	651	651
Cleaning	-	-	-	4,702	4,702
Client services	17,998	16,351	-	-	34,349
Contract labor	13,488	-	57,501	-	70,989
Depreciation and amortization	5,064	4,601	3,323	2,988	15,976
Dues and fees	440	400	289	260	1,389
Education and professional development	3,065	2,784	2,011	1,808	9,668
Foundation/board	-	-	-	1,284	1,284
Insurance	6,646	6,038	4,361	3,920	20,965
Interest	-	-	-	300	300
Legal and accounting	-	-	-	15,740	15,740
Meetings and receptions	469	426	308	276	1,479
Miscellaneous expense	991	-	-	585	1,576
Office expenses/supplies	5,592	5,081	3,669	3,299	17,641
Public relations	6,796	-	-	4,009	10,805
Rape kits and supplies	-	-	1,729	-	1,729
Rent/building maintenance	-	-	-	3,843	3,843
Taxes and licenses	-	-	-	1,640	1,640
Telephone	1,442	1,310	946	850	4,548
Travel	2,570	2,335	1,686	1,516	8,106
Utilities	-	-	-	11,488	11,488
Volunteer development	46	42	30	27	145
TOTAL EXPENSES	\$ 237,398	\$ 186,918	\$ 170,237	\$ 137,115	\$ 731,668

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 123,700	\$ 145,949
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	15,758	15,890
Amortization	348	87
Investment fees	694	651
Unrealized (gain)/loss on endowment funds	(4,360)	(1,941)
Earnings restricted for long-term endowment	(1,146)	(1,133)
Decrease (increase) in:		
Receivables	129,091	(192,627)
Inventory	10,085	(5,742)
Prepaid expenses	558	(1,078)
Increase (decrease) in:		
Accounts payable	(6,783)	4,498
Accrued liabilities	3,564	3,642
Deferred revenue	-	(25,000)
Total Adjustments	<u>147,809</u>	<u>(202,753)</u>
Net cash provided (used) by operating activities	<u>271,509</u>	<u>(56,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(2,238)
Net cash used by investing activities	<u>-</u>	<u>(2,238)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in short-term debt	273	-
Principal payments on long term debt	(55,913)	(1,500)
Net cash used by financing activities	<u>(55,640)</u>	<u>(1,500)</u>
Net increase (decrease) in cash	215,869	(60,542)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>225,798</u>	<u>286,340</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 441,667</u>	<u>\$ 225,798</u>

See independent auditor's report and notes to the financial statements.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hearts of Hope (the Organization) is a non-profit organization that is dedicated to providing help and healing for survivors of sexual trauma and violent crime, to providing help to lessen the trauma experienced by child victims when abuse allegations are investigated and throughout court proceedings and to conducting and documenting skillful forensic evidence collection with compassionate care when a patient makes a disclosure of sexual assault. Staff and volunteers maintain a 24-hour crisis line and provide escort services to the area hospitals.

Basis of Accounting

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations or grantor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations or grantor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time. 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.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations or grantor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donated Services

The Organization recognizes donated services that (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected on the statements for donated services because no objective basis is available to measure the value of such services.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Donor Restrictions

Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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 as unrestricted net assets.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore has no provision for federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. It is also exempt from Louisiana income tax. However, should the Organization engage in activities unrelated to its exempt purpose, taxable income could result. The Organization had no material unrelated business income for the fiscal year under audit.

Accounting Standards Codification 740 (ASC 740) requires that a tax position be recognized or derecognized based on a "more than not" threshold. This applies to positions taken or expected to be taken in a tax return where there is uncertainty about whether a tax position will ultimately be sustained upon examination. The Organization has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the requirements of ASC 740. Accordingly, implementation of ASC 740 did not have any impact on the accompanying financial statements.

Inventories

Inventory amounts consist of rape kits. Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. During 2017, inventory was written-off due to a change in accounting policy. The Organization no longer charges outside agencies and hospitals for the use of the kits. Rape kits are expensed as incurred.

Property and Equipment

Property and equipment are stated at cost for assets purchased and at fair value at the date of donation for contributed assets. Donations of property and equipment are recorded as support at their estimated fair market value and are reported as unrestricted unless the donor has restricted the donated assets for a specific purpose. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense was \$15,758 and \$15,890 for the years ended December 31, 2017 and 2016, respectively.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

The Organization is housed in a building located at 911 General Mouton owned by the Lafayette Consolidated Government. The Organization has use of the building at no cost and there is nothing in the financial statements to reflect the cost. No fair market value has been determined.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Sick time is accumulated as a single compensated absence. Eight hours are earned per month for all full-time employees (employees working 30 hours or more per week). Any unused accumulated balance can be carried forward to the following year. However, sick leave is forfeited upon leaving employment; accordingly, no liability has been recorded in the accompanying financial statements for sick time.

Vacation time is earned monthly based on length of service for all full-time employees. Any unused accumulated balance is forfeited at the end of each year. However, earned vacation time is paid-out upon termination of employment; accordingly, a liability has been recorded in the accompanying financial statements for vacation time. Accrued compensated absences as of December 31, 2017 amounted to \$1,239.

Functional Allocation of Expenses

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

Subsequent Events

Subsequent events were evaluated through June 7, 2018, which is the date the financial statements were available to be issued.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 2 RECLASSIFICATIONS

Certain 2016 amounts have been reclassified to conform with the 2017 financial statement presentation. Total net assets are unchanged due to these reclassifications.

NOTE 3 ENDOWMENT FUND

In 2003, the Organization transferred \$10,000 to the Community Foundation of Acadiana, Inc. to open an endowment fund for the benefit of the Organization. The Foundation has limited variance power over the fund. In the event that a donor restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community, the Foundation may modify the restriction through the exercise of the variance power. Distribution from the Fund can be made solely for the support of the purposes of the Organization once the investment has reached \$1,000,000, as stipulated by the Organization's Board of Directors.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The endowment investment is reflected in the financial statements as a Beneficial Interest in Assets Held by Others and Temporarily Restricted Net Assets. Changes in the endowment fund net assets were as follows:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted Net Assets, Beginning	\$ 57,773	\$ 55,350
Investment income	1,146	1,133
Net appreciation (realized and unrealized)	<u>3,666</u>	<u>1,290</u>
Temporarily Restricted Net Assets, Ending	<u>\$ 62,585</u>	<u>\$ 57,773</u>

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Net Assets are released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors. For the years ended December 31, 2017 and 2016, \$588,944 and \$421,364 were released from restrictions, respectively.

A summary of Temporarily Restricted Net Assets as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Temporarily Restricted Net Assets, Beginning	\$ 113,686	\$ 112,763
Change in Temporarily Restricted Net Assets	<u>(51,101)</u>	<u>923</u>
Temporarily Restricted Net Assets, Ending	<u>\$ 62,585</u>	<u>\$ 113,686</u>

NOTE 5 GRANT FUNDS RECEIVABLE

Grant funds receivable at December 31, are summarized as follows:

	<u>2017</u>		
	<u>CAC</u>	<u>SARC</u>	<u>Total</u>
CVA Grant	\$ 67,472	\$ -	\$ 67,472
Rape Prevention Education	-	11,808	11,808
SASP Grant	-	13,334	13,334
VAWA Grant	-	<u>5,404</u>	<u>5,404</u>
Total	<u>\$ 67,472</u>	<u>\$ 30,546</u>	<u>\$ 98,018</u>

	<u>2016</u>		
	<u>CAC</u>	<u>SARC</u>	<u>Total</u>
CVA Grant	\$ 62,163	\$ -	\$ 62,163
Rape Prevention Education	-	13,030	13,030
SASP Grant	-	6,450	6,450
VAWA Grant	-	<u>5,301</u>	<u>5,301</u>
Total	<u>\$ 62,163</u>	<u>\$ 24,781</u>	<u>\$ 86,944</u>

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HEARTS OF HOPE

Notes to the Financial Statements

NOTE 6 NOTES PAYABLE

	<u>2017</u>	<u>2016</u>
Note payable to Bank Direct Capital Finance for financing insurance premiums, payable in eight monthly installments, bearing interest at a rate of 8.85%, matured February 4, 2016.	\$ -	\$ 3,595
Note payable to First Insurance Finance for financing insurance premiums, payable in ten monthly installments, bearing interest at a rate of 6.2%, matured March 4, 2017.	<u>3,868</u>	<u>-</u>
	<u>\$ 3,868</u>	<u>\$ 3,595</u>

NOTE 7 LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
A note payable to a Trust in the amount of \$135,000, payable in monthly installments of \$1,121, including interest at 5.75% per annum, through September 2021, collateralized by the property purchased.	\$ -	\$ 55,913
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 55,913</u>

The note payable was paid in full during 2017 and no interest was charged on the balance prior to payoff.

NOTE 8 OPERATING LEASE OBLIGATIONS

The Organization entered into two long-term leases for digital copiers during fiscal year 2013. The agreement was renegotiated in December of 2015, to include a monthly base payment plus additional fees for imaging and servicing which may vary from month to month. These leases do not meet the criteria established for capitalized lease reporting; therefore, the leases are reflected as operating leases. Terms of these leases are as follows:

	Monthly Base Payments	Number of Months	Date Lease Originated
Digital copiers (3)	\$ 697	60	12/17/2015

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HEARTS OF HOPE

Notes to the Financial Statements

NOTE 8 OPERATING LEASE OBLIGATIONS (CONTINUED)

Future minimum payments by year and in the aggregate, under these operating leases consist of the following at December 31, 2017:

Year Ending December 31,	
2018	\$ 8,364
2019	8,364
2020	<u>7,667</u>
Totals	<u>\$ 24,395</u>

NOTE 9 RETIREMENT PLAN

The Organization began offering its employees the opportunity to participate in a “Simple IRA” retirement plan in May 2000. All eligible employees who work full time or over 30 hours per week may contribute from one percent (1%) of their gross pay upward. The Organization matches their contribution at two percent (2%) of gross pay. The associated expenses for 2017 and 2016 were \$2,049 and \$773, respectively.

NOTE 10 CONCENTRATION OF CREDIT RISK

The majority of the Organization revenues and grants receivable are from sub grants of U.S. Department of Justice Grants through the Louisiana Commission on Law Enforcement and Administration of Criminal Justice. A change in this funding could substantially affect the operations of the Organization.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Organization has an unused portion of a line of credit in the amount of \$30,000 (collateralized by all deposit accounts and certificates of deposit now owned or acquired hereafter by Hearts of Hope) as of December 31, 2017.

NOTE 12 FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization places its temporary cash investments with one high quality financial institution. At times amounts may be in excess of FDIC insurance limits. As of December 31, 2017, the Organization had cash balances of \$205,275 that were uninsured.

The fair values of the Organization’s financial instruments are as follows:

Cash and short-term investments – The carrying amount approximates fair value because of the short maturities of those investments.

Note payable – Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

HEARTS OF HOPE

Notes to the Financial Statements

NOTE 13 NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 14 COMPENSATION, BENEFITS AND OTHER PAYMENTS TO DIRECTOR

A detail of compensation, benefits, and other payments made to the Executive Director, Kim Young, for the year ended December 31, 2017 and 2016 are as follows:

<u>Purpose</u>	<u>2017</u>	<u>2016</u>
Salary	\$ 69,516	\$ 68,564
Benefits - insurance and retirement	6,294	8,578
Cell phone	600	550
Travel	458	434
Reimbursements	24	131
Total	<u>\$ 76,892</u>	<u>\$ 78,257</u>

SUPPLEMENTARY INFORMATION



**Darnall, Sikes
& Frederick**

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Deceased 2009

J. Stephen Gardes, CPA, CVA*, Retired 2018

E. Larry Sikes, CPA/PFS, CVA*, CFP®
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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
Hearts of Hope
Lafayette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hearts of Hope (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hearts of Hope'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 Hearts of Hope's internal control. Accordingly, we do not express an opinion on the effectiveness of Hearts of Hope's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

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

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document, therefore its distribution is not limited.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 7, 2018

HEARTS OF HOPE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

We have audited the financial statements of Hearts of Hope as of and for the year ended December 31, 2017, and have issued our report thereon dated June 7, 2018. We conducted our audit in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. Our audit of the financial statements of December 31, 2017 resulted in an unmodified opinion.

Section I. Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements.

Internal Control

Significant Deficiencies Yes No

Material Weaknesses Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II. Financial Statement Findings

2017-001 Inadequate Controls over Financial Statement Preparation

Condition: Hearts of Hope does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.

Criteria: Senior management of an Organization should possess suitable skill, knowledge and experience to apply generally accepted accounting principles (GAAP) to the preparation of financial statements.

Cause: Senior management has not received the proper training in the application of generally accepted accounting principles (GAAP).

Effect: The Organization risks noncompliance and financial statement misstatements by not having properly trained staff.

Recommendation:

Hearts of Hope should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, to determine if it is in the best interest of the organization to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

Section III. Federal Award Findings and Questioned Costs

Not Applicable.

HEARTS OF HOPE

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I. Internal Control and Compliance Material to the Financial Statements

2016-001 Inadequate Controls over Financial Statement Preparation

Finding:

Hearts of Hope does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.

Follow Up:

Unresolved – See current year finding 2017-001.

Section II. Internal Control and Compliance Material to Federal Awards

Not Applicable; no prior year findings

Section III. Management Letter

Not Applicable

HEARTS OF HOPE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

Hearts of Hope respectfully submits the following corrective action plan for the year ended December 31, 2017.

The findings from the December 31, 2017 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding No. 2017-001

Recommendation: Hearts of Hope should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the organization to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

Action Taken: Hearts of Hope has evaluated the cost vs. benefit and has determined that outsourcing the preparation of the financial statements to the independent auditors is in the best interest of the organization at this time and will carefully review and approve the draft financial and related footnotes prior to issuance.



**Darnall, Sikes
& Frederick**

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Hearts of Hope
Lafayette, Louisiana

Kevin S. Young, CPA
 Christy S. Dew, CPA, MPA
 Rachel W. Ashford, CPA
 Veronica L. LeBleu, CPA, MBA
 Christine Guidry Berwick, CPA, MBA
 Brandon L. Porter, CPA
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 Benjamin J. Baudoin, CPA

* (Emeritus)

We have performed the procedures enumerated below, which were agreed to by Hearts of Hope (a nonprofit organization) 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, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the AUPs.

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:

Written policies and procedures were obtained and do not address the functions noted above.

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:

Written policies and procedures were obtained and do not address the functions noted above.

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- c) **Disbursements**, including processing, reviewing, and approving:
Written policies and procedures were obtained and do address the functions noted above.
- d) **Receipts**, including receiving, recording, and preparing deposits:
Written policies and procedures were obtained and do address the functions noted above.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked:
Written policies and procedures were obtained and do address the functions noted 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:
Written policies and procedures were obtained and do address the functions noted 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, and (5) monitoring card usage:
Written policies and procedures were obtained and do not address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers:
Written policies and procedures were obtained and do address the functions noted 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. Note: Ethics requirements are not applicable to nonprofits:
The entity is a nonprofit; therefore, not applicable.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements:
The entity is a nonprofit; therefore, not applicable.

Board (or Finance Committee, if applicable)

- 2. Obtain and review 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:
Obtained and reviewed minutes of the managing board/committee for the fiscal period noting that the full board met monthly in accordance with the entity's policy.
 - 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):
Minutes include monthly budget-to-actual comparisons for the major funds identified as such.

- 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:

Deficit spending was not noted during the fiscal period.

- 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.):

The minutes do reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

Obtained a listing of client bank accounts from management and management provided representation that the listing is complete.

- 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:

Bank reconciliations have been prepared for all months.

- 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:

Bank reconciliations were performed but no evidence of review by management or a board member was observed.

- 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:

None of the reconciliations were noted as having outstanding items for more than six months of fiscal year end.

Collections

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

Obtained listing of cash collection locations and management provided representation that the listing is complete.

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:

Written documentation was obtained and it was noted that the functions addressed above were implemented in accordance with policy with the exception of the person responsible for cash collection is not bonded.

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:

Written documentation was obtained and it was noted that the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers by a person who is not responsible for cash collections in the cash collection location selected.

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:

Collection documentation was obtained for the selected cash collections and it was noted that deposits were made within a reasonable time.

➤ 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:

Daily cash collections selected were completely supported by documentation.

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:

Written documentation was obtained and it was noted that the functions addressed above were implemented in accordance with policy.

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:

Obtained listing of disbursements and management provided representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly 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:

Examined supporting documentation for each of the disbursements selected and noted that purchases were not initiated using a purchase order system. Their policy does not require purchase orders but all purchases are approved by management although approval not in writing.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase:

No purchase orders are used but examined supporting documentation for each of the disbursements selected, per policy approval in not required to be in writing.

- 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:

Not required under current policy; therefore, this item is not applicable.

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:

Per policy, the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement 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:

Written policies and procedures provided do address the separation of signatory authority from initiating or recording of purchase.

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, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks:

Supply of unused checks are maintained in a locked location, with restricted access from those persons with signatory authority.

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:

No signature stamp is used; therefore, this item is not applicable.

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:

Obtained listing of active credit cards and management provided representation that the listing is complete.

15. Using the listing prepared by management, randomly 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.):

Monthly statement was reviewed and approved by someone other than the authorized card holder.

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

Finance charges and late fees were not noted on the selected statements.

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):

An original itemized receipt was noted for each transaction.

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

Each transaction documented the business/public purpose.

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

All required documentation was provided with each transaction tested.

- 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:

All transactions tested were noted as following applicable policies and laws.

- 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:

No exceptions were noted for the transactions tested.

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:

Obtained listing of travel and expense reimbursements by person and management provided representation that the listing is complete.

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:

Written policies and procedures were obtained and there were no instances of non-compliance.

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:

Written policies and procedures were obtained and there were no instances of non-compliance.

- 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.]:

Expenses selected were reimbursed in accordance with established per diem amount.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating):

Documentation of the business purpose was noted for each expense reimbursement selected.

Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance):

Documentation required by written policy was noted for each expense reimbursement selected.

- 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:

No exceptions noted.

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

Each expense reimbursement selected was reviewed. Reimbursements were not approved, in writing, by someone other than the person receiving the reimbursement.

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:

Obtained listing of all contracts in effect and management provided representation that the listing is complete.

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:

A formal/written contract supporting the service arrangements and the amount paid was noted for the vendors selected.

- 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:

- 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):

Contracts selected complied with all legal requirements per 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:

Not applicable.

- 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:

Contracts selected were not amended.

- 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:

The invoices and related payments selected complied with the terms and conditions of the contract.

- e) Obtain/review 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):

Obtained documentation of board approval for selected contracts as required by policy.

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. Randomly select five employees/officials, obtain their personnel files, and:

Obtained listing of employees with their related salaries and management's representation that the listing is complete.

- 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:

No written employment contract or pay structure established.

- 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:

Changes to pay rates during the fiscal period for selected employee were not approved in writing, but were verbally approved by the board or the Executive Director.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly 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.):

Documentation of daily attendance and leave was noted for each selected employee.

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

Documentation of supervisor approval for attendance and leave was noted for each selected employee.

- 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:

Documentation of written leave records were maintained for employees selected.

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:

Obtained listing of employees terminated during the fiscal period and management provided representation that the listing is complete. Termination payments of selected employees were made in strict accordance with policy and/or contract and approved by management.

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:

Obtained supporting documentation relating to payroll taxes and retirement contributions during the fiscal period noting that related payments and required reporting forms were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed:

The entity is a nonprofit; therefore, this item is not applicable.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy:

The entity is a nonprofit; therefore, this item is not applicable.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained:

The entity is a nonprofit; therefore, this item is not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants:

The entity is a nonprofit; therefore, this item is not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off:

The entity is a nonprofit; therefore, this item is not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review 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:

Management has asserted that the entity did not have any misappropriations of public funds or assets during the reporting period.

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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds:

Required notices were posted on the entity's premises and 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:

No exceptions noted.

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.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 19, 2018



June 25, 2018

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants
2000 Kaliste Saloom Road, Suite 300
Lafayette, LA 70508

1. a) In the future, the Hearts of Hope will include in its written policies and procedures for budgeting on the following function:
 - (1) amending
2. b) In the future, the Hearts of Hope will include in its written policies and procedures for purchasing on the following function:
 - (1) how vendors are added to the vendor list
3. g) In the future, the Hearts of Hope will include in its written policies and procedures for credit cards on the following function:
 - (1) how cards are to be controlled
4. b) Will have board member review bank reconciliations monthly.
6. a) All employees responsible for collecting cash will be bonded.
9. a) Hearts of Hope does not utilize a purchase orders but all purchases are approved by management. We will have approval in writing.
b) Hearts of Hope does not utilize a purchase order system but all purchases are approved by a person who did not initiate the transaction.
19. d) In the future, Hearts of Hope will have reimbursements approved in writing.
22. a) Will establish a written pay rate schedule.
 - b) Will document all changes to pay rates during the fiscal year in writing.

Signature: _____

Date: _____

6/26/2018

Title: _____

Executive Director



SARC



CAC



SANE