

CENTER FOR RESILIENCE, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Center for Resilience, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of **Center for Resilience, Inc. (CFR)** which comprise the statement of financial position as of June 30, 2020, 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.

Auditors' 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 of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Center for Resilience, Inc.
New Orleans, Louisiana

Auditors' Responsibility, Continued

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 CFR's financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CFR'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 CFR'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 audit opinion.

Opinion

In our opinion, the financial statements previously referred to present fairly, in all material respects, the financial position of CFR as of June 30, 2020, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Center for Resilience, Inc.
New Orleans, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2021 on our consideration of CFR'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 CFR's internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 3, 2021

CENTER FOR RESILIENCE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets:	
Cash (NOTE 2)	\$ 776,165
Contributions receivable	6,500
Amounts receivable (NOTE 4)	339,193
Prepaid items and other assets	<u>873</u>
Total current assets	<u>1,122,731</u>
Noncurrent Assets:	
Property and equipment, net (NOTE 11)	<u>41,063</u>
Total noncurrent assets	<u>41,063</u>
Total assets	<u><u>\$1,163,794</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	\$ 591,914
Accrued salaries payable	143,372
Compensated absences payable	9,693
Accrued retirement payable	4,027
Notes payable (NOTE 17)	<u>349,800</u>
Total current liabilities	<u>1,098,806</u>
Noncurrent liabilities:	
Total noncurrent liabilities	<u>-0-</u>
Total liabilities	<u>1,098,806</u>
Net Assets:	
Without donor restrictions	(319,113)
With donor restrictions (NOTE 19)	<u>384,101</u>
Total net assets	<u>64,988</u>
Total liabilities and net assets	<u><u>\$1,163,794</u></u>

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

CENTER FOR RESILIENCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>NET ASSETS</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES:			
Contributions (NOTE 16)	\$ 440,057	\$ 1,684,101	\$2,124,158
Partner school fees	1,641,301	-0-	1,641,301
Net assets released from restrictions:			
From expiration of time and/or fulfillment of purpose	<u>1,479,840</u>	<u>(1,479,840)</u>	<u>-0-</u>
Total operating activities	<u>3,561,198</u>	<u>204,261</u>	<u>3,765,459</u>
OPERATING EXPENSES:			
Program services	3,438,849	-0-	3,438,849
Supporting services	<u>619,047</u>	<u>-0-</u>	<u>619,047</u>
Total operating expenses	<u>4,057,896</u>	<u>-0-</u>	<u>4,057,896</u>
Change in net assets from operating activities	<u>(496,698)</u>	<u>204,261</u>	<u>(292,437)</u>
NON-OPERATING ACTIVITIES:			
Total non-operating activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Change in net assets from non-operating activities	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Change in net assets from operating and non-operating activities	<u>(496,698)</u>	<u>204,261</u>	<u>(292,437)</u>
Net assets, beginning of year	<u>177,585</u>	<u>179,840</u>	<u>357,425</u>
Net assets, end of year	<u>\$ (319,113)</u>	<u>\$ 384,101</u>	<u>\$ 64,988</u>

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

CENTER FOR RESILIENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>TOTAL</u>
OPERATING EXPENSES			
Salaries and compensation	\$1,752,674	\$356,000	\$2,108,674
Employee benefits and related taxes	337,505	100,616	438,121
Compensated absences	7,270	2,423	9,693
Consultants	507,130	46,050	553,180
Transportation	409,245	-0-	409,245
Building rent	102,150	34,050	136,200
Food service program	111,247	-0-	111,247
Custodial service and supplies	29,792	9,931	39,723
Supplies	32,983	10,994	43,977
Telecommunications	27,170	9,057	36,227
Professional development	21,476	7,159	28,635
Administrative and other	28,417	9,471	37,888
Travel	2,010	670	2,680
Copier rental	6,356	2,119	8,475
Legal	13,996	4,665	18,661
Insurance	21,598	7,199	28,797
Payroll fees	5,841	1,947	7,788
Depreciation	-0-	16,696	16,696
Bad debt	<u>21,989</u>	<u>-0-</u>	<u>21,989</u>
	<u>\$3,438,849</u>	<u>\$619,047</u>	<u>\$4,057,896</u>

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

CENTER FOR RESILIENCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS USED IN OPERATING ACTIVITIES

Change in net assets	\$ (292,437)
Depreciation expense	16,696
Bad debt	21,989
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease in contributions receivable	84,177
Decrease in prepaid items and other assets	55,902
Increase in accounts payable and accrued expenses	300,699
Increase in amounts receivable	(50,734)
Increase in accrued salaries payable	50,574
Decrease in accrued retirement payable	(1,034)
Increase in compensated absences payable	<u>9,693</u>
Net cash provided by operating activities	<u>195,525</u>
Cash Flows From Investing Activities:	
Addition of equipment	<u>(57,759)</u>
Cash used by investing activities	<u>(57,759)</u>
Cash Flows from Financing Activities:	
Proceeds from loan	348,800
Payment on principal	<u>(5,000)</u>
Net cash provided by financing activities	<u>343,800</u>
Net increase in cash	481,566
Cash - July 1, 2019	<u>294,599</u>
Cash - June 30, 2020	\$ <u>776,165</u>

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

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :

Background

Center for Resilience, Inc. (CFR) is a non-profit public benefit corporation organized under the laws of the State of Louisiana. Incorporated on January 19, 2017 as New Orleans Therapeutic Day Program name was changed on February 22, 2017 to **Center for Resilience, Inc.** CFR commenced operations during the 2018-2019 fiscal year.

The mission of **CFR** is to provide educational and intensive mental health support in an innovative partnership with the Tulane University School Medicine Department of Child and Adolescent Psychiatry to ensure the emotional well-being and academic readiness of children with behavioral health needs in the Greater New Orleans region. Currently, **CFR** offers separate settings for children in grades K-10 with moderate to significant, diagnosed behavioral health disabilities whose needs cannot be met in a traditional school.

CFR works with students to build the skills necessary to be successful in a less restrictive school setting so they can one day transition back to their home schools. Ultimately, **CFR's** aim is to make sure all children with behavioral health needs have access to the appropriate services and placements.

CFR's vision is that a full continuum of effective mental and behavioral health support and intervention exist for children and adolescents in the Greater New Orleans region. In support of this vision, and by the year 2022, **CFR** will:

- Partner with the Orleans Parish School Board to realize the true cost per child, ensuring day-to-day operating expenses are covered by city, educational, and medical dollars.
- Expand to serve children through 12th grade.
- Launch a trauma informed early learning center for children ages birth - six.
- Develop programming to support children on the autism spectrum experiencing moderate to significant behavioral challenges.

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, CONTINUED:**

Background, Continued

- Begin planning for a residential group home.
- Open the Querencia School, a diverse by design, open enrollment PK-8 public school with a focus on experiential.

Principles of Accounting

The financial statements of **CFR** are prepared in accordance with accounting principles generally accepted in the United States of America and on the accrual basis.

Financial Statement Presentation

Under Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) Section 958-605, *Not-For-Profit Entities, Revenue Recognition*, **CFR** must recognize contributions received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value.

Further, **CFR's** financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit Guide for Not-for-Profit Organizations" (the Guide) update No. 2016-14. ASC 958-205 was effective January 1, 2018. Under provisions of the Guide net assets of **CFR** are classified to present the following based on the existence or absence of donor-imposed restrictions.

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, CONTINUED :**

Presentation of Financial Statements, Continued

Accordingly, net assets of **CFR** are classified as follows:

- Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of **CFR**. **CFR**'s board may also designate assets without restrictions for specific operational purposes from time to time.
- Donor restrictions are temporary in nature; those restrictions are met by actions of **CFR** or by the passage of time.
- Donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Further, contributions are accounted for under ASC 958-605 Not-for-Profit Entities-Revenue Recognition amended by ASU-2018-08.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

Funding

CFR receives its funding from the Orleans Parish School Board and other partners through contributions.

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, CONTINUED :**

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Purchased software is capitalized if certain criteria are met. Land is stated at cost. Expenses incurred for maintenance and repairs are charged to operations as incurred. Leasehold improvements are amortized over the lesser of the estimated economic life of the improvements or the remaining term of the lease.

Assets acquired by gift are recorded at fair market value established at the date of acquisition.

CFR follows the policy of capitalizing all individual fixed assets purchased greater than \$5,000 and fixed assets that in aggregate are greater than \$10,000.

CFR uses the straight-line method of depreciation over the assets useful life determined as follows:

Computers	3 years
Office equipment	5 years
Vehicles	5 years
Office Furniture	7 years
Leasehold Improvements	Life of lease or 5 years whichever is greater
Building Improvements	20 years
Building	30 years

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, CONTINUED:**

Compensated Absences

12-month employees are entitled to a total of ten (10) days of wellness leave. Up to three (3) days of the leave may be rolled over annually.

Upon separation from employment, employees forfeit all accrued but unused sick and vacation time.

Additionally, year end staff are eligible for ten (10) days of vacation time.

10-month employees are eligible for ten (10) days of wellness leave. Their unused wellness leave does not rollover at June 30, 2020.

Use of Restricted Resources

It is the practice of **CFR** to use restricted resources based on donor restrictions and consistent with its mission.

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 program and supporting services in the accompanying statement of functional expenses. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and related benefits	Time and effort
Occupancy	Square footage
Professional fees	Full time equivalent
Other	Time and effort

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

**NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES, CONTINUED :**

Method of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to **CFR**'s ongoing activities. Non-operating activities are limited to resources that generate return from investments, financing costs and other activities considered to be a more unusual or nonrecurring nature.

Statement of Cash flows

For purposes of the statement of cash flows, **CFR** considers all investments with original maturities of three months or less to be cash equivalents. At June 30, 2020, **CFR** had no cash equivalents.

Fair Value of Financial Instruments

The estimated fair value of all significant financial statement amounts have been determined by **CFR** using available market information and appropriate valuation methodologies.

CFR considers the carrying amounts of cash, amounts and grants receivables, prepaid items, and amounts and other payables to be at fair market.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Standards Update - 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease terms, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than twelve (12) months. The revised implementation date voted on by the FASB for ASU 2016-02 will now be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. **CFR** has not assessed the potential impact of this guidance on its financial statements.

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - CASH:

CFR maintains a bank account in one operating account to include the use of a third party on-line payments and collections. As of June 30, 2020 the collected bank balance was \$775,665 and a book balance of \$775,665.

Cash balance held in a bank is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). **CFR** maintains its cash in a bank deposit account that at times may exceed federally insured limits. **CFR** does not have a deposit policy and has not experienced any losses in its account. At June 30, 2020, **CFR** has a collected bank balance of \$525,665 in excess of the FDIC insured limit.

See NOTE 9 and other matter OM 2020-002 for additional discussion.

At June 30, 2020 cash consisted of cash on hand and demand deposits as follows:

<u>Description</u>	<u>Carrying Value</u>	<u>Market Value</u>
Cash on hand	\$ <u>500</u>	\$ <u>500</u>
Total cash on hand	<u>500</u>	<u>500</u>
Checking - Operations	\$699,748	\$699,748
Checking - PPP	<u>75,917</u>	<u>75,917</u>
Total checking accounts	<u>775,665</u>	<u>775,665</u>
Total	<u>\$776,165</u>	<u>\$776,165</u>

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - LIQUIDITY:

CFR's financial assets available within one year of the statement of financial position date for general expenses are as follows:

Cash	\$ 776,165
Contributions and amounts receivable	345,693
Less:	
Accounts, accrued and other payables	(749,006)
Note payable	(1,000)
Net assets with donor restrictions	<u>(384,101)</u>
Deficit	<u>\$ (12,249)</u>

CFR's financial assets have been reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position.

As part of **CFR's** liquidity management, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, **CFR** has a \$150,000 line of credit it could draw on in the event of an unanticipated liquidity need. Further, **CFR** anticipates a forgiveness of its Paycheck Protection Program loan of \$348,800 in the 2021 fiscal year and continues to address its cash liquidity issues through cost containment and grant enhancement activities.

NOTE 4 - AMOUNTS RECEIVABLE:

At June 30, 2020, amounts receivable consisted of partner school fees outstanding for various services performed totaling \$339,193.

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - INCOME TAXES:

CFR is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provisions for income taxes is made in the accompanying financial statements. Should **CFR's** tax status be challenged in the future, **CFR's** 2018 and 2019 tax years are open for examination by the Internal Revenue Service.

NOTE 6 - CONTINGENCIES AND COMMITMENTS:

CFR is a recipient of funding from the Orleans Parish School Board and Other Partners. The funding is governed by various guidelines, regulations and contractual agreements. The administration of the program and activities funded is under the control and administration of **CFR** and is subject to audit and/or review by the applicable funding source.

NOTE 7 - RISK MANAGEMENT:

CFR is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets for which **CFR** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 8 - CONCENTRATION OF REVENUE SOURCE:

CFR receives primarily all of its support from the Orleans Parish School Board. If the amount of revenue received should fall below award budgeted levels, **CFR's** operating results could be adversely affected.

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - CONCENTRATION OF CREDIT RISK:

Financial instruments which potentially subject **CFR** to concentrations of credit risk consist principally of cash. See NOTE 2 for additional discussion.

NOTE 10 - PER DIEM TO BOARD OF DIRECTORS:

During the year ended June 30, 2020, no board member received per diem in his or her capacity as director.

NOTE 11 - PROPERTY AND EQUIPMENT, NET:

<u>Description</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>June 30, 2020</u>
Equipment	\$ -0-	\$ 57,759	\$ -0-	\$ 57,759
Less: accumulated depreciation	<u>-0-</u>	<u>(16,696)</u>	<u>-0-</u>	<u>(16,696)</u>
Balance	<u>\$ -0-</u>	<u>\$ 41,063</u>	<u>\$ -0-</u>	<u>\$ 41,063</u>

NOTE 12 - RETIREMENT:

Plan Description

On December 5, 2018, **CFR's** board approved the establishment of a 403(b) single employer defined contribution plan.

Plan Funding

Funding for the plan is through a contribution of a maximum percentage of up to 4% by participating employees and **CFR** respectively, limited by the maximum deferral dictated by Internal Revenue Service code. Eligibility is based on full-time employment. The contribution is based on the employee's base salary each month.

For the year ended June 30, 2020, employer contribution expense was \$35,919 for participating employees with their respective gross compensation totaling \$1,186,161.

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - SUBSEQUENT EVENTS:

CFR is required to evaluate events or transactions that may occur after the Statement of Financial Position date for potential recognition and/or disclosure in the accompanying financial statements. CFR performed such an evaluation through March 3, 2021, the date on which the accompanying financial statements were available to be issued, and noted no subsequent events or transactions that occurred requiring recognition and/or disclosure.

NOTE 14 - LEASES:

Effective July 1, 2019, CFR is obligated under an executed operating lease for office space. The operating lease contains yearly renewal options for periods not to exceed five (5) years. In addition, the lease grants, a rent abatement effective July 1, 2019 until the abatement amount reaches \$130,000. Further, CFR executed on June 4, 2019, effective June 7, 2019, an equipment lease for four (4) years at a monthly rate of \$236.50. Operating lease expense for the year ended June 30, 2020 totaled \$144,675.

The required minimum rental payments under the terms of the building and equipment lease agreements are as follows:

Year Ending <u>June 30, _____</u>	
2021	\$141,762
2022	144,486
2023	147,210
2024	<u>147,368</u>
Total	<u>\$580,826</u>

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - LINE OF CREDIT:

CFR has executed a renewal of its line of credit with an available amount of \$150,000 dated January 25, 2021 and matures on July 25, 2021.

The interest rate on this note is subject to change from time to time based on changes in an independent index which is prime rate of interest as published in the money rate section of the Wall Street Journal.

NOTE 16 - CONTRIBUTIONS:

For the year ended June 30, 2020, contributions by funding source consisted of the following:

<u>Source</u>	<u>Amount</u>
Orleans Parish Public School	\$1,516,667
Booth Bricker	100,000
Walton Foundation	347,000
Baptist Community Ministries	130,000
Other	<u>30,491</u>
	<u>\$2,124,158</u>

CENTER FOR RESILIENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 17 - NOTES PAYABLE:

At June 30, 2020 notes payable consists of the following:

Demand non-interest bearing note payable to 4 th Sector Solutions, Inc.	\$ 1,000
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Forgivable Paycheck Protection Program ("PPP") note payable dated April 15, 2020 at an interest rate of 1% simple on the unpaid balance over a term of eighteen months. The note matures in two (2) years from the date of the loan.	<u>348,800</u>
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\$349,800

It is management's intent to submit the required documents pursuant to the terms for forgiveness of the PPP loan.

NOTE 18 - CORONAVIRUS:

On January 30, 2020, the World Health Organization declared the Corona Virus "COVID-19" as a global health emergency. On March 13, 2020, the President of the United States of America declared a national emergency. At March 3, 2021 management of CFR continues to assess the impact of COVID-19 on its overall operations as it navigates through initiatives guidelines and various executive orders mandated by the Governor for the State of Louisiana and the Mayor for the City of New Orleans.

NOTE 19 - DONOR RESTRICTIONS:

At June 30, 2020 donor restrictions consisted of amounts subject to donor imposed restrictions, and will be met by actions of CFR or by the passage of time. A detail by donor follows:

OPSB	\$216,667
Walton Foundation	<u>167,434</u>
	<u>\$384,101</u>

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
Center for Resilience, Inc.
New Orleans, Louisiana

Other Matter

We have audited the financial statements of **Center for Resilience, Inc. (CFR)** as of and for the year ended June 30, 2020, and have issued our report dated March 3, 2021 which contained an unmodified opinion on the financial statements as a whole.

Other Supplementary Information

The other supplementary information, Schedule I - Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer on page 23 which is prepared in accordance with accounting principles generally accepted in the United States of America, and is not a required part of the financial statement has been subjected to auditing procedures applied in the audit of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplementary information (Schedule I) is fairly stated, in all material respects, in relation to the financial statements as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 3, 2021

SCHEDULE I

**CENTER FOR RESILIENCE, INC.
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED JUNE 30, 2020**

Chief Executive Officer Name: Elizabeth Marcel-Williams

<u>Purpose</u>	<u>Amount</u>
Salary	\$119,646
Benefits - insurance	498
Reimbursements	<u>529</u>
	<u>\$120,673</u>

See Independent Auditors' Report on Supplementary Information.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Center for Resilience, Inc.
New Orleans, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of **Center for Resilience (CFR)** as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise **CFR's** financial statements, and have issued our report thereon dated March 3, 2021.

Internal Control Over Financial Reporting

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

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

A deficiency in internal control over financial reporting 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 significant deficiency over financial reporting is a deficiency, or a combination of deficiencies in internal control over financial reporting, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness over financial reporting is a deficiency, or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of CFR's financial statements will not be prevented, or detected and corrected in a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFR's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Finding and Response as item 2020-001.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Response to Finding

CFR's response to the finding identified in our audit is described in the accompanying Summary Schedule of Findings and Responses under the caption "Management's Response and Planned Corrective Action". CFR'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 over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of CFR's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CFR's internal control over financial reporting 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.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

March 3, 2021

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None Reported
• Significant deficiency (ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs:	
• Material weakness(es) identified?	N/A
• Significant deficiency (ies) identified?	N/A
Type of auditors' report issued on compliance for major programs:	N/A
Any audit findings disclosed that are required to be reported in accordance with the requirements of <i>the Uniform Guidance</i> ?	N/A

N/A - Not Applicable

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Program: N/A

Dollar threshold used to distinguish
between type A and type B programs: N/A

Auditee qualified as low-risk auditee? N/A

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section II - Financial Statement Finding and Response

Reference Number

2020-001

Criteria

Agreements executed by **CFR** require the performance of an independent audit for the respective programs.

Condition

We were unable to obtain certain supporting documentation to evidence compliance with deliverables dictated in respective contracts executed with various funding sources. Further, we were unable to completely distinguish between net assets with and/or without donor restrictions, respectively prior to the effect of audit adjustments.

The current situation continues to impact the timely preparation and presentation of periodic financial statements to include the year-end audit.

Questioned Costs

None.

Context

Total expenses for the year ended June 30, 2020 were \$4,057,896.

Effect or Potential Effect

Noncompliance with the requirements of executed contracts.

Cause

Completeness of current system in place to facilitate the complete financial reporting and deliverable assessment of compliance with all requirements of executed contracts.

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section II - Financial Statement Finding and Response, Continued

Reference Number, Continued

2020-001

Recommendation

CFR should revisit with its current program and financial reporting and assessment requirements to ensure completeness through effective coordination between the program and Finance departments. This process should also include documentation of compliance with the requirements of applicable standards and guidance for contributions.

Management's Response and Planned Corrective Action

Management will revisit with its current program deliverables reporting and assessment processes, with an aim towards a continuous and timely reporting of its deliverables to include accounting for the financial reporting impact.

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questioned costs were reported during the year ended June 30, 2020.

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section IV - Status of Prior Year's Findings and Responses

Reference Number

2019-001

Criteria

Louisiana Revised Statute 24:513 requires the publication of audited financial statements within six (6) months of year end.

Condition

The audited financial statements as of and for the year ended June 30, 2019 were not published by December 31, 2019.

Questioned Costs

None.

Context

Total grants and awards expended for the year ended June 30, 2019 were \$2,134,772.

Effect or Potential Effect

Noncompliance with the statutory due date requirement of Louisiana Audit Law.

Cause

Challenges encountered through various transitions in the Finance and program departments for its initial audit.

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number, Continued

2019-001

Recommendation

As CFR continues to restructure the financial section of its operations for alignment with its programs, greater emphasis should be placed on the key operating cycles to ensure timely, complete and accurate financial information reporting. Ultimately, the objective will be to achieve a timely completion of month-end and year-end closing of its accounting records.

Current Status

Resolved.

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number

2019-002

Criteria

Grant agreements executed by CFR require the performance of an independent audit for the respective programs.

Condition

As a part of our audit of grant awards and contributions for compliance with the deliverables dictated in respective contracts, we were unable to obtain certain supporting documentation to evidence compliance with all aspects of the respective grant contracts.

Questioned Costs

None.

Context

Total grants and awards expended for the year ended June 30, 2019 were \$2,134,772.

Effect or Potential Effect

Noncompliance with the requirements of executed contracts.

Cause

Completeness of current system in place to facilitate the reporting and deliverable assessment of compliance with all requirements of executed contracts.

CENTER FOR RESILIENCE, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section IV - Status of Prior Year's Findings and Responses, Continued

Reference Number, Continued

2019-002

Recommendation

CFR should revisit with its current program reporting and assessment requirements to ensure completeness and coordination with the Finance department.

Current Status

Unresolved. See current year's finding reference number 2020-001.

CENTER FOR RESILIENCE, INC.

EXIT CONFERENCE

The financial statements and all related reports were discussed at a meeting held with management of **Center for Resilience, Inc.** noting agreement in all material respects.

Those who participated in the discussion are as follows:

CENTER FOR RESILIENCE, INC.

Mrs. Elizabeth Marcell-Williams	--	Executive Director
Ms. Rochelle McConico	--	Director of Finance and Human Resources
Mrs. Gina Rachel	--	Chairperson of the Finance Committee
Ms. Paulette Carter	--	Board Member
Mr. Adam Hawf	--	Board Member
Mr. Louis Bartels	--	Board Member
Ms. Keandra Ratcliff	--	4 th Sector Solutions, Inc.

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA, MBA, CGFM, CGMA	--	Partner
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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

To the Board of Directors
Center for Resilience, Inc.

In planning and performing our audit of the financial statements of **Center for Resilience, Inc. (CFR)** as of and for the year ended June 30, 2020, we considered **CFR's** internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of **CFR's** internal control. Accordingly, we do not express an opinion on the effectiveness of **CFR's** internal control.

However, during our audit, we became aware of other matters that provide an opportunity for **CFR** to strengthen its internal control and operating efficiency. We previously reported on **CFR's** internal control in our report dated March 3, 2021. This letter does not affect our report dated March 3, 2021, on the financial statements of **CFR**.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL
2020***

Reference Number

OM 2020-001

Criteria

Management of CFR is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

At June 30, 2020, CFR has \$4,535 recorded as a "payroll clearing" payable. However, we are unable to ascertain the validity of the obligation.

Based on discussion with management, it is our understanding that the amount represents an incorrect journal entry dated August 30, 2019, and posted to correct manual payroll checks issued on August 15, 2019.

Cause

An incorrect journal entry posted on August 30, 2019 in an attempt to correct manual payroll checks issued on August 15, 2019.

Effect or Potential Effect

Potential for overstated financial obligation.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL
2020***

Reference Number, Continued
OM 2020-001

Recommendation

Management should as a part of its monthly and year end closing process, review all significant accounts to ensure the completeness in all recorded economic transactions. All open items should be reconciled and resolved immediately.

Management's Response and Planned Corrective Action

To ensure proper balances at year end with regards to payroll management will review manual checks on a monthly basis to ensure the accuracy of the liability and expense information. Additionally, management will review and make adjustments to ensure the payroll clearing account has a zero balance at the end of the monthly closing process.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number

OM 2020-002

Criteria

Management of CFR is responsible for the establishment of effective policies and procedures to ensure the safeguarding of its assets.

Condition

At June 30, 2020, CFR does not have a formalized written deposit policy to address its funds concentration risk for deposits held by an institution on its behalf in excess of the FDIC insurance coverage amount of \$250,000.

Credit risk amount at June 30, 2020 was \$525,665.

Cause

Lack of an established deposit policy to address the potential risk of funds concentration.

Effect or Potential Effect

Risk associated with the concentration of funds in excess of the FDIC coverage amount.

Recommendation

Management should develop for board approval, a deposit policy that ensures the maintenance of continuous collateral beyond the FDIC coverage by its banker(s).

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number, Continued

OM 2020-002

Management's Response and Planned Corrective Action

Management continues to have conversations with the board of directors and its financial institution regarding developing a policy relative to its collateral beyond the FDIC coverage. Additionally, the organization will work to continue its fostered partnership with a local bank to open a second bank account that was delayed due to the pandemic which had an impact on cash flow.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number

OM 2020-003

Criteria

Management of CFR is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

Our review of internal control attributes over CFR's revenue and expense cycles revealed the following conditions:

- In all twenty-five (25) of cash collection transactions tested, we were unable to determine the timeliness in deposit of funds. This condition results from the lack of documented evidence of logged collections by date upon receipt other than the deposit tracker report which logs funds collection on the day of deposit.
- For the referenced cash collection transactions (primarily partner school fees), we were unable to ascertain the total population other than an excel spreadsheet which details the vendor's name, number of participants and billed amount.
- For twenty-three (23) of twenty-five (25) disbursement transactions tested, the respective invoices lacked evidence of cancellation to prevent the potential for further use.
- Further, sixteen (16) of twenty-five (25) disbursement transactions lacked documented evidence of mathematical verification.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number, Continued

OM 2020-003

Cause

The level of oversight afforded to staff.

Effect or Potential Effect

Noncompliance with established board policy.

Recommendation

Management should continue to revisit and enhance the level of oversight with its monthly general ledger processing system, plan and require that all monthly transactions are recorded in the general ledger system on a timely basis. Periodic analysis should be performed timely with all resulting adjustments, if any, posted immediately.

For the therapeutic services provided, management should develop a master contract file numerically sequenced to facilitate the completeness in all billable transactions.

Management's Response and Planned Corrective Action

Management continues to make adjustments to its financial policies and procedures manual to ensure that all internal control processes are efficient. Additionally, management along with the third party financial contractor will do a thorough review on a monthly basis to ensure that all internal control processes are being followed.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number

OM 2020-004

Criteria

Management of CFR is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

Our review of CFR's internal control processes using a sample of four (4) journal entries judgementally selected revealed the following condition:

- In all instances of four (4) journal entries tested, we noted no documented evidence to support review and approval beyond the level of the preparer.

Cause

The level of oversight afforded to service provider.

Effect or Potential Effect

Noncompliance with established board policy.

Recommendation

Management should continue to revisit and enhance the level of oversight with its monthly general ledger processing system, plan and require that all monthly transactions are executed and documented pursuant to established Board policy.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number, Continued

OM 2020-004

Management's Response and Planned Corrective Action

Monthly closing procedures are performed by a third party contractor. Management continues to review its policies and procedures to ensure there is a level of oversight beyond the preparer in regards to its monthly closing procedures.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number, Continued

OM 2020-005

Criteria

Management is responsible for the establishment and maintenance of current, effective, and efficient policies and procedures to facilitate compliance by personnel pursuant to board policy.

Condition

Our review of CFR's current policies and procedures manual revealed the need for an update to certain sections of its policies and procedures to align with practice.

Cause

Noncompliance with policy requirement for timely update to existing policies.

Effect or Potential Effect

Potential for noncompliance with board policy and nonalignment with practice.

Recommendation

Management should update its current policies and procedures manual for alignment with current practice. Further, management should develop a practice of periodic review with updates implemented, where necessary.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number, Continued

OM 2020-005

Management's Response and Planned Corrective Action

Management continues to review and update its policies and procedures manual to align with its current practices. Additionally, management will take the necessary steps to make real time updates when a change in procedure happens to be reflected in the policies as soon as possible.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number

OM 2020-006

Criteria

Management of CFR is responsible for the establishment of the effective and efficient process and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

The June 30, 2020 bank account reconciliation bore no documented evidence of supervisory review.

Context

Total cash at June 30, 2020 was \$776,165.

Effect or Potential Effect

Potential for misappropriation of assets resulting from the absence of or limited supervisory oversight.

Cause

CFR's current practice does not align with the elements of effective internal control over bank account reconciliations.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***CURRENT YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2020***

Reference Number, Continued

OM 2020-006

Recommendation

As CFR continues to restructure the financial section of its operations for alignment with its programs, greater emphasis should be placed on the key operating cycles to ensure the necessary level of oversight to ensure complete and accurate financial information reporting.

Management's Response and Planned Corrective Action

Monthly closing procedures are performed and reviewed by a third party contractor. Management will consider doing a periodic review of the month end closing documents to ensure organizational internal controls are being adhered to and followed.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL
2019***

Reference Number

OM 2019-001

Criteria

Management of CFR is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

Our review of internal control attributes over the revenue and expense cycles revealed the following conditions:

- In twenty-four (24) of twenty-five (25) cash collection transactions, we were unable to determine the timeliness in deposit of funds because collections are not logged in by date upon receipt.
- In one (1) instance of the referenced twenty-five (25) deposits tested, funds collected were not deposited in four (4) days upon receipt. Board policy requires the timely deposit of all funds.
- Further, for the referenced deposits, we noted an instance where the amount listed in the deposit tracker sheet did not agree to the amount reflected on CFR's bank statement and deposit slip.
- Also, a deposit on May 24, 2019 was reflected on the deposit tracker as \$25 versus \$26 on the deposit slip and bank statement.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number, Continued

OM 2019-001

Condition, Continued

- One (1) collection listed on the deposit tracker sheet was not reflected on the deposit slip and bank statement as a deposit of funds for the May 24, 2019 collection.
- In one (1) instance of twenty-five (25) cash disbursements transactions tested, we were unable to trace a disbursement amount to CFR's general ledger.

Cause

The level of oversight afforded to staff.

Effect or Potential Effect

Noncompliance with established board policy.

Recommendation

Management should continue to revisit and enhance the level of oversight with its monthly general ledger processing system, plan and require that all monthly transactions are recorded in the general ledger system on a timely basis. Periodic analysis should be performed timely with all resulting adjustments, if any, posted immediately.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number, Continued

OM 2019-001

Current Status

Unresolved. See current year's report on other matters reference number OM 2020-003.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number

OM 2019-002

Criteria

Management is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to include the timely filing of complete and accurate tax returns.

Condition

We were unable to review and determine the timely filing of Internal Revenue Service (IRS) forms 941 and 944, as applicable for each of the quarters during the year ended June 30, 2019.

Further, it is our understanding through discussion with management that its payroll service provider had responsibility to follow-up with the IRS on the required change in tax filing form status from IRS Form 944 to 941.

In addition, we noted through discussion with management that all funds for the applicable quarters had been deposited with the service provider as of June 30, 2019 for all applicable payroll disbursements.

Cause

Level of oversight of the payroll processing service provider to include monthly reconciliations.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR EARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number, Continued

OM 2019-002

Effect or Potential Effect

Potential for penalties and interest from incorrect and/or timeliness in filed returns.

Recommendation

No recommendation. Subsequent to year end, management has had contact with the IRS and anticipates resolution.

Current Status

Resolved.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number

OM 2019-003

Criteria

Management of CFR is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

At June 30, 2019, CFR has \$2,073.18 recorded as a "payroll clearing" payable. However, we are unable to ascertain the validity of the obligation.

Cause

Untimely resolution and completeness in recorded economic events.

Effect or Potential Effect

Potential for overstated financial obligation.

Recommendation

Management should as a part of its monthly and year end closing process, review all significant accounts to ensure the completeness in all recorded economic transactions. All open items should be reconciled and resolved immediately.

Current Status

Unresolved. See current year's report on other matters reference number OM 2020-001.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Numbers

OM 2019-004

Criteria

Management of CFR is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

Our review of CFR's internal control processes over its credit card, payroll, and journal entries posted for the test month of December 2018 (month judgementally selected for testing) except for the credit card testing where we used May 2019, revealed the following conditions:

- In three (3) instances of ten (10) credit card transactions, we noted where the supporting documents did not agree to the expense report filed to include incorrect mathematical verification.
- Further four (4) of the referenced credit card transactions lacked the necessary documentation to support expense reported.
- In all instances of two (2) journal entries tested, we noted no documented evidence to support review and approval beyond the preparer.

Cause

The level of oversight afforded to staff.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Numbers, Continued

OM 2019-004

Effect or Potential Effect

Noncompliance with established board policy.

Recommendation

Management should continue to revisit and enhance the level of oversight with its monthly general ledger processing system, plan and require that all monthly transactions are executed and documented pursuant to established Board policy.

Current Status

Partially unresolved. See current year's report on other matters reference number OM 2020-004.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number

OM 2019-005

Criteria

Management is responsible for the management of CFR's payroll processes and procedures to ensure compliance with board and regulatory policies.

Condition

- o In two (2) of seven (7) employees tested, we noted the absence of an executed offer of employment on file.
- o In one (1) of seven (7) instances, the employee's State of Louisiana Form L-4 was incomplete.
- o In another instance, the employee's Immigration Form I-9 lacked required supporting documentation on file.
- o In two (2) of the seven (7) employees tested, we noted a variance in our recalculation of their respective gross pay compared to CFR's payroll register.

Cause

Level of oversight over payroll processes.

Effect or Potential Effect

Potential for noncompliance with regulatory and board policy.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number, Continued

OM 2019-005

Recommendation

Management should revisit with its current oversight to ensure its completeness.

Current Status

Resolved.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number

OM 2019-006

Criteria

Management of CFR is responsible for the establishment of effective policies and procedures to ensure the safeguarding of its assets.

Condition

At June 30, 2019, CFR does not have a formalized written deposit policy to address its funds concentration risk for deposits held by an institution on its behalf in excess of the FDIC insurance coverage amount of \$250,000.

Cause

Lack of an established deposit policy to address the risk of funds concentration.

Effect or Potential Effect

Risk associated with the concentration of funds in excess of FDIC coverage.

Recommendation

Management should develop for board approval, a deposit policy that ensures the maintenance of continuous collateral beyond the FDIC coverage by its banker(s).

Current Status

Unresolved. See current year's report on other matters reference number OM 2020-002.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number

OM 2019-007

Criteria

Management is responsible for the management of an effective and efficient process to ensure coordination of program and financial transactions to affect in a complete and accurate preparation of financial statements.

Condition

CFR for the year ended June 30, 2019, continued to manage various grants and awards resulting in defined deliverables that lapse with the passage of time and fulfillment of purpose for periods extending beyond its current fiscal year end.

Further, CFR's current program and financial reporting system does not facilitate the timely, complete and accurate preparation of its financial statements pursuant to the executed terms of the referenced grants and awards.

Cause

Coordination and communication between the program and financial departments.

Effect or Potential Effect

Potential impact of the completeness and accuracy of financial statements generated.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number, Continued

OM 2019-007

Recommendation

Management should develop and implement a coordinated process to facilitate the effective communication between the program and finance departments to minimize, if not eliminate, the need for adjustments at year end.

Current Status

Unresolved. See current year's report on other matters reference number OM 2020-001.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number

OM 2019-008

Criteria

Management is responsible for the establishment and maintenance of current, effective, and efficient policies and procedures to facilitate compliance by personnel pursuant to board policy.

Condition

Our review of CFR's current policies and procedures manual revealed the need for an update to certain sections of its policies and procedures to align with practice.

Cause

Noncompliance with policy requirement for timely update to existing policies.

Effect or Potential Effect

Potential for noncompliance with board policy and nonalignment with practice.

Recommendation

Management should update its current policies and procedures manual for alignment with current practice.

Current Status

Unresolved. See current year's report on other matters reference number OM 2020-006.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**

(CONTINUED)

***STATUS OF PRIOR YEARS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL, CONTINUED
2019***

Reference Number

OM 2019-009

Criteria

Management of CFR is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements pursuant to board policy.

Condition

The accompanying June 30, 2019 financial statements do not include the impact of compensated absence payable, as applicable. We were unable to obtain a cumulative leave schedule to determine the existence of a liability.

Cause

Completeness in recorded economic events.

Effect or Potential Effect

Potential for unrecorded financial obligation.

Recommendation

Management should as a part of its monthly and year end closing process, review all significant general ledger accounts to ensure the completeness in all recorded economic transactions.

Current Status

Resolved.

**INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS
RELATED TO INTERNAL CONTROL**
(CONTINUED)

CFR's response to the current other matters reported are described in this report under the caption "Management's Response and Planned Corrective Action". We did not audit CFR's response and accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management of CFR, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor for the State of Louisiana as a public document.

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March 3, 2021