

Crescent City WIC Services, Inc.

Financial Report

Year Ended December 31, 2014

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PEDELAHORE & CO., LLP
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Crescent City WIC Services, Inc.
Gretna, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Crescent City WIC Services, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014, and the related statement of activities 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 the 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 the 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 Audit 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 procedure selected depends on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crescent City WIC Services, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on page 11 is presented for purposes of additional analysis and is not a required part 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015, on our consideration of Crescent City WIC Services, Inc. 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 Crescent City WIC Services, Inc.'s internal control over financial reporting and compliance.



June 25, 2015
New Orleans, Louisiana

Crescent City WIC Services, Inc.
Statement Of Financial Position
December 31, 2014

Assets

Current Assets

Cash	\$ 79,346
Accounts receivable	36,062
Prepaid expenses	<u>3,543</u>

Total current assets 118,951

Property And Equipment

Office furniture and equipment	25,251
Less: accumulated depreciation	<u>10,227</u>
	<u>15,024</u>

Total assets \$ 133,975

Liabilities And Net Assets

Current Liabilities

Accounts payable	\$ 19,206
Accrued payroll	<u>21,005</u>

Total current liabilities 40,211

Net Assets

Unrestricted	<u>93,764</u>
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\$ 133,975

The Notes to Financial Statements are an integral part of these statements.

Crescent City WIC Services, Inc.
Statement Of Activities And Changes In Net Assets
For The Year Ended December 31, 2014

	<u>Unrestricted</u>
Support And Revenue	
Program fees	\$ 517,073
Donations	<u>299</u>
Total revenue	<u>517,372</u>
Expenses	
Salaries and wages	346,445
Payroll tax expense	42,171
Rent	45,000
Professional fees	36,450
Office expense	35,864
Contract labor	22,535
Insurance	20,711
Telephone expense	14,353
Repairs and maintenance	10,857
Janitorial service and supplies	8,433
Utilities	7,546
Travel expense	7,452
Medical supplies	5,804
General administrative expense	3,801
Seminar and training	3,659
Depreciation	2,196
Dues and subscriptions	1,238
Special events	505
Miscellaneous	<u>450</u>
Total expenses	<u>615,470</u>
Other Income	
Rental income	9,000
Interest income	67
PHAME reimbursement	<u>6,120</u>
Total other income	<u>15,187</u>
Decrease In Net Assets	(82,911)
Net Assets, Beginning Of Year	
As perviously stated	110,985
Prior period adjustment	<u>65,690</u>
Net Assets, End Of Year	<u>\$ 93,764</u>

The Notes to Financial Statements are an integral part of these statements.

Crescent City WIC Services, Inc.
Statement Of Cash Flows
For The Year Ended December 31, 2014

Cash Flows From Operating Activities	
Change in net assets	\$ (82,911)
Adjustments to reconcile increase in net assets cash provided (used) by operating activities:	
Depreciation	2,196
Decrease (increase) in:	
Accounts receivable	29,628
Prepaid expenses	(3,543)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>40,211</u>
Net cash used by operating activities	<u>(14,419)</u>
Cash Flows From Investing Activities	
Purchase of property and equipment	<u>(13,996)</u>
Net cash used by investing activities	<u>(13,996)</u>
Net Decrease In Cash And Cash Equivalents	\$ (28,415)
Cash and cash equivalents at beginning of year	<u>107,761</u>
Cash and cash equivalents at end of year	<u><u>\$ 79,346</u></u>

The Notes to Financial Statements are an integral part of these statements.

Crescent City WIC Services, Inc.
Notes To Financial Statements
Year Ended December 31, 2014

Note 1. Summary Of Significant Accounting Policies

Nature of Business

Crescent City WIC Services, Inc. (the Organization) is a nonprofit organization. The Organization is primarily engaged in providing services for The Special Supplemental Nutrition Program for Women, Infant and Children (LA WIC Program); which includes: determining eligibility for program participation; conducting nutrition risk assessment; providing nutrition education; developing nutrition care plans; issuing food instruments for use in exchange for supplemental foods; training and monitoring WIC vendors. The Organization also provides services for the Healthy Start Program; an initiative to reduce infant mortality and improve the health and well-being of women, infants, children, and their families.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with respect to financial statement presentation. Accordingly, the Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash Equivalents

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at historical cost. Depreciation and amortization of property and equipment is provided utilizing accelerated methods. Depreciation expense for the December 31, 2014 was \$2,196.

Crescent City WIC Services, Inc.
Notes To Financial Statements
Year Ended December 31, 2014

Note 1. Summary Of Significant Accounting Policies (continued)

Property and Equipment (continued)

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue Recognition and Receivables

Program Fees are recorded when earned.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, as such, is not subject to income taxes.

The Organization has adopted *FASB ASC 740-10, "Accounting for Uncertainty in Income Taxes."* Using that guidance, as of December 31, 2014, the Organization believes it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Also, the Organization's federal tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitation on those returns. In general, the federal tax return has a three year statute of limitations.

Note 2. Lease Obligations

The Organization leases its present office site under a five year operating agreement at a monthly rental of \$3,750. The present lease expires in April 2017 and contains a renewal option under similar terms as the original lease. Total rental expense for December 31, 2014 was \$45,000.

Crescent City WIC Services, Inc.
Notes To Financial Statements
Year Ended December 31, 2014

Note 2. Lease Obligations (continued)

Future commitments under this lease are:

2015	\$45,000
2016	\$45,000
2017	\$15,000

Note 3. Related Party Transactions

The Organization's Executive Director owns Crescent City Coders, LLC. The Organization reimburses Crescent City Coders for certain operating expenses paid by Crescent City Coders, LLC. At December 31, 2014, the Organization had a balance due to Crescent City Coders, LLC of \$3,074. Crescent City Coders, LLC conducts its operation from facilities rented by the Organization. Rental income received from Crescent City Coders, LLC totaled \$9,000 in 2014.

Note 4. Concentrations

The Organization has one major customer, LA WIC Program, which represents approximately 77% of the total receipts, and 94% of accounts receivable at December 31, 2014.

The remaining 23% of total receipts are represented by funds received from HRSA, a federal grant awarded to Crescent City WIC Services, Inc.'s Healthy Start Program on August 27, 2014.

Note 5. Pension And Retirement Plan

The Organization maintains a 401(k) Qualified Retirement Plan for the benefit of its employees. Substantially all full-time employees are covered by the plan. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation in accordance with Section 401(k) of the Internal Revenue Code. The Organization's contribution, if any, is determined by the Organization on an annual basis. The Organization's matching contribution expense for the year was \$0.

Crescent City WIC Services, Inc.

Notes To Financial Statements

Year Ended December 31, 2014

Note 6. Prior Period Adjustment

The 2013 financial statements were prepared using the modified cash basis of accounting, therefore no receivables were recognized. In 2014, The Organization's financial statements are prepared using accounting principles generally accepted in the United States. The 2013 accounts receivable was understated by \$65,690. Accordingly, this amount was adjusted to restate net assets at the beginning of this year.

Note 7. Subsequent Events

Management of the Organization has evaluated the events and transactions for potential recognition or disclosure through June 25, 2015, the date the financial statements were available to be issued.

The Organization was awarded federal grant funds on April 22, 2015 for its Healthy Start Initiative. The grant funds will cover the budgeted period of June 1, 2015 through March 31, 2016. The total amount of financial assistance provided by the U.S. Department of Health and Human Services is \$624,323.

Supplementary Information

Crescent City WIC Services, Inc.
 Schedule Of Compensation, Benefits And Other Payments To
 Agency Head Or Chief Executive Officer
 For The Year Ended December 31, 2014

Agency Head Name: Mary Schultheis

	Amount
Purpose	
Salary	\$ 99,796
Benefits - insurance	5,601
Cell phone	3,130
Per diem	520
Reimbursements	2,062
Registration fees	675
Conference travel	3,382
Special meals	418
Other	1,530
 Total	 \$ 117,114

Crescent City WIC Services, Inc.
 Schedule Of Current And Prior Year Findings
 Year Ended December 31, 2014

Current Year Findings:

Section I – Summary Of Auditor’s Results

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> x </u> no
Significant deficiency or a combination of control deficiencies identified not considered being material weaknesses?	_____ yes <u> x </u> no
Noncompliance material to financial statement noted?	_____ yes <u> x </u> no

Section II – Internal Control And Compliance Material To Federal Awards

Not applicable

Section III – Management Letter

Refer to management letter (contained herein on pages 15-16) for details of finding.

Prior Year Findings:

None	Section I – Review Procedures
Not applicable	Section II – Agreed-Upon Procedures
None issued.	Section III – Management Letter

PEDELAHORE & CO., LLP

Certified Public Accountants

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
Crescent City WIC Services, Inc.
Gretna, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial suits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Crescent City WIC Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Crescent City WIC Services, Inc.'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 Crescent City WIC Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crescent City WIC Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract, and grants, 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*.

We noted certain matters that we reported to management of the Organization in a separate letter dated June 25, 2015.

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. The 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.

This report is intended solely for the information and use of the management of Crescent City WIC Services, Inc. the Board of Directors, others within the Organization, the Louisiana Legislative Auditor and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



June 25, 2015

New Orleans, Louisiana

PEDELAHORE & CO., LLP

Certified Public Accountants

ROBERT J. MORA, CPA
MARY H. VALIGOSKY, CPA
MILTON B. CAVALIER, CPA
JENNIFER L. DORAN, CPA

MEMBER
AMERICAN INSTITUTE OF CPA'S
SOCIETY OF LOUISIANA CPA'S

June 25, 2015

To the Board of Trustees
Crescent City WIC Services, Inc.
Gretna, Louisiana

As a result of our audit of the financial statements of Crescent City WIC Services, Inc. for the period ended December 31, 2014, we have prepared a series of recommendations and comments regarding the Organization's accounting policies and procedures and related matters. Since our audit was not designed to include a detailed review of all systems and procedures, these comments should not be considered all inclusive of the areas where improvements might be achieved or in which problems exist.

Our recommendations and comments are as follows:

2014 – 1 We recommend that Mary Schultheis receive and open the bank statements and review them for any unusual checks or other transactions before giving them to accounting to perform the reconciliation. Management's review of the bank statement will ensure that unusual items are investigated on a timely basis.

2014 – 2 In order for the financial reports generated by the accounting system to be as meaningful as possible, The Organization should prepare monthly reconciliations of the general ledger accounts and other balance sheet accounts to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and properly attributed to a particular period.

2014 – 3 We also recommend that The Organization adopt a remote backup recovery plan to store data on an off site server. It increases security and availability of data while reducing the need for manual work and costly physical storage.

2014 – 4 The Organization should consider adopting a Whistleblower Policy. A whistleblower policy encourages employees to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identified those individuals to whom such information can be reported.

We noted that the Organization does not have a formal conflict-of-interests policy. We believe that it is management's best interest to establish a formal, written, policy and procedures covering relationships that may involve potential conflicts of interests. Among other matters, the policy should provide the following:

- Employees should avoid situations where their personal interest could conflict with, or appear to conflict with, the interest of the Organization.
- The use of corporate assets for any unlawful or improper purpose is strictly prohibited.

The foregoing comments are not intended to be all-inclusive, but rather represent those matters, which we consider worthy of your consideration.

Management's Response and Planned Corrective Action:

We greatly appreciate your recommendations and comments, which will be addressed as follows:

2014 -1: Mary Schultheis will review the monthly bank statement for unusual items.

2014-2: Management will meet with the auditor for assistance in determining those accounts that should be periodically reconciled with supporting information.

2014-3: The Organization will investigate means for off-site data storage and ultimately establish a recovery plan.

2014-4: The Organization fosters a philosophy of integrity and accountability. Although it is understood that any form of abuse and waste is unacceptable, management will seek guidance is establishing a formal whistleblower policy.

Furthermore, we will endeavor to develop formal policies and procedures to ensure the Organization's assets are being used appropriately.

We appreciate the opportunity to present these comments and recommendations, and are prepared to discuss them further at your convenience. We would like to take this opportunity to express our sincere appreciation to all personnel with whom we came in contact for their cooperation and valuable assistance during the performance of our audit.

Sincerely,



Pedelahore & Co., LLP