
NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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NO/AIDS TASK FORCE

D/B/A CRESCENTCARE

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NO/AIDS Task Force d/b/a CrescentCare
New Orleans, Louisiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NO/AIDS Task Force d/b/a CrescentCare (the Task Force), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the NO/AIDS Task Force as of June 30, 2017 and 2016, and the changes in net assets and cash flows for the years 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 consolidated financial statements taken as a whole. The supplemental financial information as listed in the Table of Contents as Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer on page 21, and the Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations on page 26, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the Task Force'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NO/AIDS Task Force's internal control over financial reporting and compliance.

Postlethwaite & Netterville

New Orleans, Louisiana
December 29, 2017

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
<u>ASSETS</u>		
Cash	\$ 8,147,978	\$ 2,930,246
Reimbursements receivable, net of allowance for doubtful accounts	7,182,496	8,923,011
Prepaid expenses	647,792	327,934
Deposits	64,324	83,565
Investments	2,322,920	5,951,535
Investment in 1631 Elysian Fields project	742,040	-
Investment in housing partnership	400,108	400,108
Equipment and leasehold improvements, net of accumulated depreciation and amortization	2,733,993	3,193,955
<u>TOTAL ASSETS</u>	\$ 22,241,651	\$ 21,810,354

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Accounts payable	\$ 3,159,126	\$ 3,710,402
Accrued payroll	330,798	223,705
Accrued compensated absences	534,006	460,312
Accrued liabilities - other	71,615	20,234
Total liabilities	4,095,545	4,414,653
<u>NET ASSETS</u>		
Unrestricted	18,146,106	17,395,701
Total net assets	18,146,106	17,395,701
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 22,241,651	\$ 21,810,354

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

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>REVENUES AND OTHER SUPPORT</u>		
Clinical service revenues and reimbursements net of contractual allowances of \$1,916,282 and \$1,121,469, respectively	\$ 2,807,030	\$ 2,164,425
Less: Bad debt expense	(596,711)	(187,054)
Net clinical service fees and reimbursements	<u>2,210,319</u>	<u>1,977,371</u>
Grants and contracts	38,676,344	36,705,530
Pledges and contributions	336,924	236,441
Fundraising events, net	215,416	193,601
Investment gain, net	142,071	29,767
Other support and revenue	192,720	202,532
Total public support and revenue	<u>41,773,794</u>	<u>39,345,242</u>
<u>EXPENSES</u>		
Program services	37,235,170	33,816,432
Supporting services	3,788,219	3,297,777
Total expenses	<u>41,023,389</u>	<u>37,114,209</u>
<u>CHANGE IN NET ASSETS</u>	750,405	2,231,033
Net assets, beginning of year	<u>17,395,701</u>	<u>15,164,668</u>
Net assets, end of year	<u>\$ 18,146,106</u>	<u>\$ 17,395,701</u>

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

**NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Program Services										Supporting Services			Total Expenses
	Education	Primary Medical Care	Case Management	Dental	Behavioral Health	Food for Friends	Housing	Medication	AIDS/Law	Total	Management and General	Fund Raising	Total	
Salaries	\$ 1,121,402	\$ 4,433,295	\$ 2,077,809	\$ 453,102	\$ 577,070	\$ 194,197	\$ 1,284,570	\$ 91,174	\$ 315,009	\$ 10,547,628	\$ 1,872,459	\$ 129,059	\$ 2,001,518	\$ 12,549,146
Employee health and benefits	286,436	738,702	424,358	66,388	106,930	37,538	265,164	26,497	62,436	2,014,449	410,109	32,537	442,646	2,457,095
Payroll taxes	85,787	310,555	158,952	29,621	38,919	14,856	98,270	6,975	23,448	767,383	115,857	9,516	125,373	892,756
Total salaries and related expenses	1,493,625	5,482,552	2,661,119	549,111	722,919	246,591	1,648,004	124,646	400,893	13,329,460	2,398,425	171,112	2,569,537	15,898,997
Fees and contract expenses	8,188	381,270	70,085	591,423	96,575	5,814	21,794	669	25,993	1,201,811	383,607	42,830	426,437	1,628,248
Supplies and materials	203,267	466,555	38,398	127,009	5,526	313,468	13,242	1,501	6,502	1,175,468	42,033	6,668	48,701	1,224,169
Telephone	23,868	67,689	24,333	16,908	6,198	4,952	22,593	2,061	6,161	174,763	23,774	3,092	26,866	201,629
Postage	3,088	5,610	6,186	734	918	394	2,706	183	886	20,705	4,329	675	5,004	25,709
Occupancy	140,718	398,875	164,171	67,180	34,080	44,155	103,851	11,360	26,040	990,430	104,490	17,040	121,530	1,111,960
Equipment costs	30,730	129,168	50,686	18,686	9,841	15,967	39,802	1,846	3,991	300,717	64,230	2,770	67,000	367,717
Transportation	6,260	3,105	40,143	-	3,013	4,423	62,687	-	9,290	128,921	10,730	365	11,095	140,016
Conference	39,520	48,511	20,059	485	11,470	258	16,736	-	1,297	138,336	77,273	10,137	87,410	225,746
Client assistance	-	512,565	286,617	-	-	-	1,042,313	-	-	1,841,495	-	-	-	1,841,495
Medication	-	3,142,511	-	-	-	-	-	12,749,668	-	15,892,179	-	-	-	15,892,179
Insurance	22,944	60,570	17,772	6,393	7,991	3,196	22,594	1,598	8,610	151,668	19,479	3,196	22,675	174,343
Lab tests	94,863	449,318	-	-	-	-	-	-	-	544,181	-	-	-	544,181
Advertising and community support	2,768	279,848	2,904	522	783	5,234	1,827	130	-	294,016	17,083	-	17,083	311,099
Entertainment and volunteer recognition	-	-	-	-	-	25	-	-	-	25	93,524	-	93,524	93,549
Continuing education	11,684	107,722	442	12,494	1,214	-	951	-	-	134,507	34,758	-	34,758	169,265
Software and technology	32,738	140,590	44,469	9,228	17,224	3,767	44,435	1,794	21,564	315,809	59,046	7,908	66,954	382,763
Miscellaneous	5,524	44,150	1,868	-	-	1,450	2,000	1,250	2,250	58,492	85,316	-	85,316	143,808
Total expenses before depreciation, amortization and interest	2,119,785	11,720,609	3,429,252	1,400,173	917,752	649,694	3,045,535	12,896,706	513,477	36,692,983	3,418,097	265,793	3,683,890	40,376,873
Depreciation and amortization	77,456	187,183	109,728	25,819	38,728	12,909	71,000	6,455	12,909	542,187	96,808	6,455	103,263	645,450
Interest	-	-	-	-	-	-	-	-	-	-	1,066	-	1,066	1,066
Total expenses	\$ 2,197,241	\$ 11,907,792	\$ 3,538,980	\$ 1,425,992	\$ 956,480	\$ 662,603	\$ 3,116,535	\$ 12,903,161	\$ 526,386	\$ 37,235,170	\$ 3,515,971	\$ 272,248	\$ 3,788,219	\$ 41,023,389

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

**NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Program Services										Supporting Services			Total Expenses
	Education	Primary Medical Care	Case Management	Dental	Behavioral Health	Food for Friends	Housing	Medication	AIDSLaw	Total	Management and General	Fund Raising	Total	
Salaries	\$ 1,023,844	\$ 3,958,660	\$ 1,689,649	\$ 324,102	\$ 629,288	\$ 165,486	\$ 1,189,454	\$ 107,893	\$ 313,995	\$ 9,402,371	\$ 1,768,818	\$ 182,475	\$ 1,951,293	\$ 11,353,664
Employee health and benefits	295,790	537,659	404,264	20,908	82,672	30,409	258,433	28,641	59,845	1,718,621	251,488	28,528	280,016	1,998,637
Payroll taxes	78,324	275,454	129,258	24,421	48,140	12,660	90,993	8,254	24,021	691,525	121,969	13,500	135,469	826,994
Total salaries and related expenses	1,397,958	4,771,773	2,223,171	369,431	760,100	208,555	1,538,880	144,788	397,861	11,812,517	2,142,275	224,503	2,366,778	14,179,295
Fees and contract expenses	16,357	248,626	14,024	362,518	111,391	1,522	27,607	1,069	7,698	790,812	176,222	851	177,073	967,885
Supplies and materials	209,795	387,158	36,306	125,541	15,831	309,072	63,399	1,604	13,851	1,162,557	57,115	28,848	85,963	1,248,520
Telephone	26,155	62,259	28,342	5,991	8,711	3,191	24,488	1,371	6,894	167,402	17,565	2,155	19,720	187,122
Postage	4,807	5,878	6,799	55	1,535	428	3,479	297	910	24,188	3,930	718	4,648	28,836
Occupancy	126,986	416,116	165,052	50,390	38,338	25,196	113,140	9,500	35,036	979,754	58,104	15,177	73,281	1,053,035
Equipment costs	71,590	264,708	103,050	9,769	28,244	11,151	108,017	5,267	14,624	616,420	85,336	27,849	113,185	729,605
Transportation	5,660	1,932	51,296	-	3,792	5,324	54,066	197	11,165	133,432	3,490	1,378	4,868	138,300
Conference	38,767	69,705	28,545	630	15,645	-	13,647	148	133	167,220	105,650	7,759	113,409	280,629
Client assistance	-	421,279	258,850	-	-	-	933,414	-	-	1,613,543	-	-	-	1,613,543
Medication	-	517,793	-	65	-	-	-	13,961,797	-	14,479,655	-	-	-	14,479,655
Insurance	19,226	118,405	26,163	4,139	8,314	2,759	19,313	1,380	7,582	207,281	18,497	2,758	21,255	228,536
Lab tests	96,805	547,791	-	-	-	-	-	-	-	644,596	-	-	-	644,596
Entertainment and volunteer recognition	1,676	-	-	-	-	64	-	-	-	1,740	-	-	-	1,740
Advertising and community support	18,150	223,965	7,366	717	1,265	610	3,347	239	1,086	256,745	10,431	-	10,431	267,176
Site expenses	-	-	-	-	-	-	-	-	-	-	-	103,633	103,633	103,633
Continuing education	268	36,100	16,848	2,877	1,355	-	1,228	-	1,161	59,837	15,408	-	15,408	75,245
Miscellaneous	292	19,926	21,580	-	731	150	6,000	1,250	114	50,043	66,700	-	66,700	116,743
Total expenses before depreciation, amortization and interest	2,034,492	8,113,414	2,987,392	932,123	995,252	568,022	2,910,025	14,128,907	498,115	33,167,742	2,760,723	415,629	3,176,352	36,344,094
Depreciation and amortization	76,379	213,328	129,845	22,914	38,190	15,275	114,569	7,638	30,552	648,690	99,293	15,275	114,568	763,258
Interest	-	-	-	-	-	-	-	-	-	-	6,857	-	6,857	6,857
Total expenses	\$ 2,110,871	\$ 8,326,742	\$ 3,117,237	\$ 955,037	\$ 1,033,442	\$ 583,297	\$ 3,024,594	\$ 14,136,545	\$ 528,667	\$ 33,816,432	\$ 2,866,873	\$ 430,904	\$ 3,297,777	\$ 37,114,209

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

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 750,405	\$ 2,231,033
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	645,450	763,258
Net gain/loss on investments	(7,408)	122,764
Changes in assets and liabilities:		
Reimbursements receivable	1,740,515	(1,248,449)
Prepaid expenses	(319,858)	(90,415)
Deposits	19,241	125,409
Accounts payable	(551,276)	1,589,375
Accrued expenses	232,168	(206,072)
Net cash provided by operating activities	2,509,237	3,286,903
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of equipment and leasehold improvements	(185,488)	(564,047)
Purchase of investments	(5,929,946)	(3,447,408)
Expenditures on 1631 Elysian Fields project	(742,040)	-
Proceeds from sale of investments	9,565,969	2,611,545
Net cash provided by (used in) investing activities	2,708,495	(1,399,910)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Borrowings (payments) on line of credit	-	(400,000)
Net cash used in financing activities	-	(400,000)
Change in cash	5,217,732	1,486,993
Cash at beginning of year	2,930,246	1,443,253
Cash at end of year	\$ 8,147,978	\$ 2,930,246
<u>SUPPLEMENTAL DISCLOSURE</u>		
Interest paid	\$ 593	\$ 454

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

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies

Organization

NO/AIDS Task Force d/b/a CrescentCare (the Task Force) is a nonprofit organization providing support and services to people infected and affected by acquired immune deficiency syndrome (AIDS) and human immunodeficiency virus (HIV) in the Southeast Louisiana region. In February 2014, the Task Force filed an application to the State of Louisiana Secretary of State for the trade name CrescentCare. The filing is related to the Task Force's plan in business expansion in order to provide clinical service not only to individuals with HIV/AIDS but also to the general public for other medical services. As of February 2014, the Task Force is doing business as CrescentCare and operates as a Federally Qualified Health Center providing primary medical care to anyone without regard for ability to pay. The Task Force also offers educational programs and informational materials to the general public, in order to prevent more people from becoming infected and to build awareness of the serious medical, legal, social and emotional problems faced by those already infected. The Task Force also provides a continuance of care and supportive services for individuals and families living with HIV disease.

In April 2017, Crescent Care Holdings, Inc. (Holdings) was formed by the Task Force as a separate 501(c) (3) entity in order to facilitate the construction of a new 65,000 square foot facility at 1631 Elysian Fields in New Orleans scheduled to open in late 2018 that will serve as the headquarters and clinic operations of the Task Force. The Task Force is the sole shareholder of Holdings. The new facility is expected to cost approximately \$23.5 million and Gulf Coast Housing Partnership (GCHP) serves as the Developer and Project Manager. Financing for the facility will be made possible with a New Markets Tax Credit allocation from Primary Care Development Corporation (PCDC), Hope Enterprise Corporation, and Chase Community Development Banking, a permanent \$10 million loan from PCDC, and contribution from the Task Force. The closing of the facility and related financing occurred on July 14, 2017.

The Task Force's programs are as follows:

Prevention

With no cure or vaccine for HIV on the near horizon, prevention and education remain strategies on the forefront of reducing the spread of HIV. The Task Force Prevention Department uses data driven interventions and evidence based approaches targeting those at high risk for HIV infection. The agency works closely with both the Louisiana Office of Public Health and the Center for Disease Control to ensure our programs align with national best practices. In addition to the more traditional methods of prevention, outreach, HIV testing in community settings, promotion of risk reduction and distribution of risk reduction materials, staff also focus on the new biomedical interventions PrEP (Pre-Exposure Prophylaxis) PEP (Post Exposure Prophylaxis) and TAP (Treatment as Prevention) with services to actively link clients to PrEP, PEP, and treatment within 24 hours. The agency provides many of its services in community settings and at non-traditional hours such as evenings and weekends.

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

Prevention (continued)

Prevention staff provides HIV, HCV (Hepatitis C Virus) and STD testing at satellite locations as well as at community locations such as gay bars and the Orleans Parish Municipal Court. One-on-one, client-centered linkage programs are available to ensure as many clients as possible are linked to appropriate services such as HIV and HCV treatment, and PrEP. Additionally, the Task Force program, CrescentCare's New Orleans Syringe Access Program (NOSAP), serves as a place to procure safe equipment, provide and encourage HIV/HCV testing, linkage to medical services, initiation of detox/treatment programs, Medicaid enrollment referral, and first aid/wound care assessment. Under this program, the Task Force, has disposed of over 2,075,000 used syringes.

Primary Medical Care

The Task Force operates three clinics which provide comprehensive medical care to more than 7,300 individuals and over 38,000 visits. Clinics services, ranging from pediatric to geriatric care is available to the general population. The clinic is open five and one half days per week offering alternative scheduling to those who need it. The Task Force accepts most insurance plans and for those who qualify financial assistance is available. Additionally, the clinics have been proactive in encouraging high risk individuals to begin a drug protocol shown to be effective in the prevention of HIV disease and has also worked diligently to identify and assist with care, individuals who are infected with Hepatitis. In 2015, the Task Force added comprehensive dental care to list of services provided and to date completed over 6,800 visits for over 1,200 individuals. Since July 2015, the Task Force has partnered with a clinic to provide sexually transmitted disease testing and treatment.

Case Management

The Task Force provides case managers who serve as liaisons between clients and the network of community resources to ensure that individuals live comfortably and with dignity. Case managers work with those living with both HIV infected and non-infected individuals to develop a plan of care that addresses their medical, financial, emotional and social needs.

Behavioral Health

The Task Force offers behavioral health services, which includes mental health and substance abuse support to individuals and families. Short-term individual counseling helps individuals cope with complex emotional, physical and practical problems. Support groups are offered on a regular basis and, if needed, appointments are offered with a psychiatrist.

Food for Friends

The Task Force delivers over 32,000 meals through the Home Delivered Meals Program annually. These services are rendered to over 90 clients of the Task Force. The Pantry Program of Food For Friends distributes over 140,000 pounds of groceries annually. These services are rendered to over 450 clients of the Task Force. Clients are referred to Food For Friends by case managers of the Task Force and two other referring agencies.

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

Housing and Housing Support Services

The Task Force provides assistance to those infected with HIV disease to obtain acceptable and affordable housing. The agency then provides follow up assistance to ensure individuals retain stable housing. Additionally, the agency operates a transitional housing facility in Houma.

Housing Support services assist persons with significant disabilities to obtain and maintain housing in the community. Individuals are case managed and support is tailored to each one's needs. The program is funded in part through third party billing to Medicaid and a unit of service grant from the Office of Aging and Adult Services.

Medication

The Task Force contracts with a local pharmacy to provide medication to HIV-infected individuals. The Task Force also assists with insurance (and medical) co-payments for qualified individuals. Staff assists eligible clients in enrolling in pharmaceutical medication assistance programs for access to free or low cost medications. The Task Force is a covered entity in the U.S. Department of Health and Human Services, Health Resources and Services Administration, Office of Pharmacy Affairs and participates in the 340B Drug Pricing Program (340B Program) whereby medications are purchased by a qualified third party pharmacy company for Task Force clients at a discounted price, resulting in revenue for the Task Force based on these savings. The intent of the 340B program is to permit the covered entity to stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services. Insurance reimbursement revenues of \$23,732,089 and \$25,537,844 and related expenses of \$15,401,183 and \$14,222,777 were recognized in 2017 and 2016, respectively, related to this program and are included in grants and contracts revenue and program expenses, respectively, in the accompanying statements of activities.

Legal Services

The Task Force Legal Services provides free civil legal aid to persons in Louisiana with legal issues involving matters related to or arising from their HIV status. Persons living with HIV/AIDS, as well as their loved ones, face a variety of problems requiring the assistance of legal professionals with experience in various areas of the law. Without the help of the Task Force attorneys, unmet legal needs would negatively impact clients' health. Many of our clients would face the loss of family, food, shelter, income, medical care as well as custody of children and personal safety. Our practice areas include: personal and estate planning, simple successions, securing public benefits, protection of privacy, discrimination, consumer protection defense, and free notarial services. In 2016, the Task Force was selected to participate as part of the National Medical Legal Partnership Learning Network in partnership with CrescentCare Health and Wellness Clinic. The selection has helped shape our efforts to embed legal services in the health clinic setting as we share and learn from other agencies around the country.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

The accompanying consolidated financial statements are presented using the accrual method of accounting. Under this method, revenues are recognized in the period earned and expenses are recognized in the period incurred. Grants are recognized as revenues when the conditions of the grant are considered to have been met. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions whose restrictions are met in the same reporting period as the contribution are shown as unrestricted contributions. At June 30, 2017 and 2016, the Task Force has no temporarily or permanently restricted net assets.

The Task Force reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The consolidated financial statements include the financial statements of the Task Force and its wholly owned subsidiary Crescent Care Holdings, Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

Tax Status

The Task Force is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and it is not a private foundation. Accounting Standards Codification (ASC) Accounting for Uncertainty in Income Taxes policy, clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. It also clarifies the application of accounting for income taxes by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an entity's financial statements. The interpretation requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. The adoption of the provisions of the interpretation had no material impact on the Task Force's consolidated financial statements.

Patient accounts receivable

The Task Force maintains allowances for contractual adjustments and doubtful accounts based on management's assessment of collectability, current economic conditions, and prior experience. The Task Force determines if patient accounts receivable is past-due based on the discharge date; however, the Task Force does not charge interest on past-due accounts. The Task Force charges off patient accounts receivable if management considers the collection of the outstanding balances to be doubtful and this is recorded in Net Clinical Service Fees and Reimbursements on the Consolidated Statements of Activities and Changes in Net Assets.

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JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

Patient accounts receivable (continued)

In evaluating the collectability of accounts receivable, the Task Force analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Task Force analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for doubtful accounts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Task Force records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Reimbursements Receivable

Reimbursements receivable are comprised primarily of reimbursements from federal agencies. The Task Force uses the allowance method to account for uncollectible reimbursements. Reimbursements are charged against the allowance when deemed to be uncollectible. The allowance is based on management's estimate of possible uncollectible reimbursements and is \$0 at June 30, 2017 and 2016.

Net clinical service revenue and third-party settlements

The Task Force has agreements with third-party payors that provide for payments to the Task Force at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge and discounted charges. Net clinical service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period that the related services are rendered. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Consequently, there is at least a reasonable possibility that recorded estimates could change by a material amount.

Investments and Related Gains and Losses

Investments in marketable securities with readily determinable fair values are reported at their fair value based on available market quotes in the consolidated statements of financial position and as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law.

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1. Summary of Significant Accounting Policies (continued)

Investments and Related Gains and Losses (continued)

Dividends, interest and realized and unrealized gains and losses that are restricted by donors are reported as increases in temporarily restricted net assets. Dividends, interest and realized and unrealized gains and losses absent restriction are reported as increases and decreases in unrestricted net assets. All components of investment returns are reported as investment gain (loss), net in the accompanying statement of activities and changes in net assets.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost. The Task Force capitalizes all expenditures for equipment in excess of \$5,000; the fair value of donated assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the term of the related lease. Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended June 30, 2017 and 2016.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose or for use for a specified period of time. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Investment in Housing Partnership

In June, 2013, the Task Force invested \$250,000 in GCHP-Claiborne MM, LLC (Investee), a limited liability company which is the managing member of GCHP-Claiborne, LLC, an entity which owns a housing development created using New Market Tax Credits (NMTC). The primary owner of Investee is a not for profit community housing developer who builds housing units serving a client population consistent with the Task Force's mission. The Task Force's 21% interest in the Investee is being accounted for as an equity method investment, whereby the Task Force recognizes 21% of the Investee's change in net assets in the accompanying statements of activities and the investment balance itself reflects 21% of the Investee's net assets in the accompanying statements of financial position.

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1. Summary of Significant Accounting Policies (continued)

Investment in Housing Partnership (continued)

The development was completed and began operations in August 2014. At the end of the compliance period for the NMTC (15 years), the Task Force has a right of first refusal and purchase option to purchase the development at the higher of fair market value or an amount which approximates pay off of existing debt at the date of purchase. During 2017, the Task Force did not make any changes to investment in subsidiary. The balance remains \$400,108 as of June 30, 2017.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Task Force have been summarized on a functional basis in the accompanying statements of functional expenses. In preparing these statements, certain costs such as occupancy, telephone and supplies have been allocated among the various programs and supporting services on the basis of an agency approved cost allocation plan.

Donated Services

Donated services are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. During fiscal years 2017 and 2016, a news publication company donated advertising space and services, primarily for fund raising activities. The estimated value of these donated services and the corresponding expenses for the years ended June 30, 2017 and 2016, was \$32,347 and \$21,434, respectively, and is reflected in the accompanying consolidated financial statements as other support and revenue and support service expenses.

Advertising and Promotion

Advertising costs are expensed as incurred. The primary purpose of these appeals is to promote the Task Force's fund-raising events and raise awareness of the disease and its prevention as well as care and treatment services available. During the years ended June 30, 2017 and 2016, advertising costs related to fundraising was \$20,391 and \$41,441, respectively.

Use of Estimates

The preparation of consolidated 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 amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Task Force's significant estimates include those regarding the fair value of donated materials and services, accrual for drug replenishment of its 340B Program, and consideration of allowances for reimbursements receivable.

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1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Task Force considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents includes short-term investments that are not U.S. Federal Deposit Insurance Corporation (FDIC) insured.

Recent Accounting Changes

In August, 2016, FASB issued Accounting Standards Update (ASU) 2016-14. Not-for-Profit Entities (Topic 958): Presentation of financial statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the consolidated financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Task Force is currently assessing the impact of this pronouncement on the financial statements.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for fiscal years beginning after December 15, 2018. The Task Force is currently assessing the impact of this pronouncement on the consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the consolidated statement of financial position as well as additional disclosures. This ASU is effective for fiscal years beginning after December 15, 2019. The Task Force is currently assessing the impact of this pronouncement on the consolidated financial statements.

2. Net Clinical Service Revenue

The Task Force has agreements with governmental and other third-party payors that provide for payments to the Task Force at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the differences between the Task Force billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with third-party payors follows:

Private insurance companies - services rendered to patients with commercial insurance policies are reimbursed at the contracted rate determined by the patient's policy.

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2. Net Clinical Service Revenue (continued)

Medicare - services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Where no fee schedule has been developed, services are paid based on a cost reimbursement methodology. The Task Force is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Task Force.

Medicaid - services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined rate. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Where no fee schedule has been developed, services are paid based on a cost reimbursement methodology. The Task Force is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Task Force.

Revenue from the Medicare and Medicaid programs accounted for approximately 15% and 28%, respectively, of the Task Force net clinical revenue for the year ended June 30, 2017, and 9% and 19%, respectively, of the Task Force net clinical revenue, for the year ended June 30, 2016. Amounts receivable or payable under reimbursement agreements with the Medicare and Medicaid programs are subject to examination and retroactive adjustments. Provisions for estimated retroactive adjustments under such programs are provided for in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Task Force has an estimated amount due from Medicare for \$9,500 at June 30, 2017. Since the laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Presented below is a summary of net clinical service revenue for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Clinical service revenues and reimbursements	\$ 4,723,312	\$ 3,285,894
Less: contractual allowance	(1,916,282)	(1,121,469)
Less: bad debt expense	(596,711)	(187,054)
Net clinical service revenues and reimbursements	<u>\$ 2,210,319</u>	<u>\$ 1,977,371</u>

3. Investments

Investments consisted of the following at June 30:	<u>2017</u>	<u>2016</u>
Mutual funds	<u>\$ 2,322,920</u>	<u>\$ 5,951,535</u>

The Task Force's investments had accumulated unrealized loss of \$5,372 and \$76,711 at June 30, 2017 and 2016, respectively. The unrealized loss for each year is reflected in the fair market value of these investments as stated in these consolidated financial statements at the end of each respective year.

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4. Equipment and Leasehold Improvements

Equipment and leasehold improvements are summarized as follows at June 30:

	<u>Useful Life</u>	<u>2017</u>	<u>2016</u>
Computer equipment and software	3 to 5 years	\$ 1,669,760	\$ 1,524,270
Office furniture, fixtures and equipment	3 to 5 years	1,086,116	1,067,775
Leasehold improvements	3 to 5 years	3,165,439	3,164,019
Mobile medical unit	10 years	210,000	210,000
Building	30 years	121,637	93,000
Land	-	<u>23,000</u>	<u>23,000</u>
		6,275,952	6,082,064
Less: Accumulated depreciation and amortization		<u>3,541,959</u>	<u>2,888,109</u>
Total net equipment and leasehold improvements		<u>\$ 2,733,993</u>	<u>\$ 3,193,955</u>

During the years ended June 30, 2017 and 2016, depreciation and amortization was \$645,450 and \$763,258, respectively.

5. Lines of Credit

The Task Force has one unsecured and one secured lines of credit with financial institutions. The unsecured line of credit matured on June 14, 2017 and was not renewed. There were no outstanding borrowings against the unsecured line of credit as of June 30, 2017 and June 30, 2016. The secured line of credit has a maximum borrowing of up to \$2.5 million and is secured by the Task Force's investments portfolio. As of June 30, 2017 and June 30, 2016 the secured line of credit has a balance of \$0 and carries interest rate of 2.98%.

6. Commitments and Contingencies

Operating Leases

The Task Force leased its administrative headquarters which also serves as an operational facility under a non-cancelable operating lease. Starting in June 2014 the lease was a monthly renewal at \$46,500 per month. On March 2017, the Task Force leased an additional space for its operational facility through December 2018 at a monthly rate of \$5,500. As of August 2015, the Task Force leases another operating facility for program activities for \$1,500 per month. The lease was amended in June 2015 increasing monthly rent from \$1,500 to \$3,500 for three years expiring August 2018. As of December 2016, the Task Force was in an operating lease for a new facility at \$7,979 per month. The lease was extended for an additional year and the rent to remain the same at \$7,979 through December 2018. On March 2014, the Task Force entered into a 60 month operating lease for a new operational facility. Monthly rent payments begin at \$26,024 and increase annually until the fifth year when they increase to \$28,895.

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6. Commitments and Contingencies (continued)

On October 2016, for another lease agreement for a new facility, the Task Force amended the lease for an additional two years with an increase in monthly rent from \$1,550 to \$2,000 for the first twelve months. The rent will increase from \$2,000 to \$2,100 per month starting October 2017 through September 2018.

Future minimum lease payments under operating leases with an initial term of one year or more were as follows at June 30, 2017:

<u>Year</u>	
2018	\$ 521,775
2019	<u>277,464</u>
Total minimum lease payments	<u>\$ 799,239</u>

Rental expense relating to these leases was approximately \$1,091,000 and \$1,030,000 for the years ended June 30, 2017 and 2016, respectively. The lease payments are included in occupancy in the accompanying statements of functional expenses.

Legal Matters

From time to time, the Task Force may become involved in various legal matters. Management of the Task Force believes that there are no legal matters as of June 30, 2017 whose resolution could have a material effect on the consolidated financial statements.

Concentrations

Grants received require the fulfillment of certain conditions as set forth in the grant instruments. The Task Force intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to donors. The Task Force, by accepting the grants and their terms, has agreed to the conditions of the donors. Government grants and support represented approximately 92% and 93% of the Task Force's total support and revenue for fiscal 2017 and 2016, respectively, including approximately \$23.7 million and \$25.6 million of revenues for years ended June 30, 2017 and 2016, respectively from the 340B Program.

In addition, the balance of reimbursements receivable is comprised primarily of government grants and support at both June 30, 2017 and 2016.

The Task Force has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Institute has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

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7. Retirement Savings Plan

The Task Force provides a simplified employee retirement savings plan (the Plan) to its employees. The Plan provides, to all employees who have been with the Task Force for a minimum of two years, an annual contribution to an Individual Retirement Account (IRA) equal to 5% of an employee's current gross eligible compensation. Contributions to the Plan were approximately \$309,000 and \$260,000 and for the years ended June 30, 2017 and 2016, respectively.

8. Fair Value Measurements

The fair value measurement standards establish a framework for measuring fair value, and expand disclosure about fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and lowest priority to unobservable inputs (Level 3 Measurements).

The three levels of the fair value hierarchy under the standards are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Task Force has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Valuation methodology inputs are unobservable and significant to fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded or at the net asset value ("NAV") of shares held at year end as applicable.

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8. Fair Value Measurements (continued)

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 by fair value measurements valuation hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt and Equity Fund:				
Conservative Allocation	\$ 575,860	\$ -	\$ -	\$ 575,860
Fixed Income Funds:				
Corporate Bonds	747,060	-	-	747,060
Multisector Bonds	1,000,000	-	-	1,000,000
	<u>\$ 2,322,920</u>			<u>\$ 2,322,920</u>

The following table presents financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 by fair value measurements valuation hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Debt and Equity Fund:				
Conservative Allocation	\$ 2,438,254	\$ -	\$ -	\$ 2,438,254
Fixed Income Funds:				
Corporate Bonds	2,513,235	-	-	2,513,235
Multisector Bonds	481,124	-	-	481,124
Intermediate-Term Bonds	518,922	-	-	518,922
Total	<u>\$ 5,951,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,951,535</u>

9. Subsequent Events

Management has evaluated events through the date that the consolidated financial statements were available to be issued, December 29, 2017, and determined that, other than the events relating to CrescentCare Holdings, Inc., which are described in Note 1, no other events have occurred that require disclosure.

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE

SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO CHIEF EXECUTIVE OFFICER
YEAR ENDED JUNE 30, 2017

Agency Head Name: Noel Twilbeck, Chief Executive Officer

	Purpose		Amount
Salary		\$	160,002
Benefits-insurance			4,397
Benefits-retirement			8,000
Total		\$	<u>172,399</u>

See accompanying independent auditors' report.

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

To the Board of Directors of
NO/AIDS Task Force d/b/a CrescentCare
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of NO/AIDS Task Force d/b/a CrescentCare (the Task Force) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Task Force'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Task Force's internal control. Accordingly, we do not express an opinion on the effectiveness of NO/AIDS Task Force's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Task Force's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

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

Postlethwaite & Netterville

New Orleans, Louisiana
December 29, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors of
NO/AIDS Task Force d/b/a CrescentCare
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited NO/AIDS Task Force d/b/a CrescentCare's (the Task Force) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Task Force's major federal programs for the year ended June 30, 2017. The Task Force's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Task Force's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Task Force's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Task Force's compliance.

Opinion on Each Major Federal Program

In our opinion, the Task Force complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Task Force is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Task Force's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on

compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Task Force's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Task Force as of and for the year ended June 30, 2017, and have issued our report thereon dated December 29, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Postlethwaite & Netterville

New Orleans, Louisiana
December 29, 2017

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Disbursements/ Expenditures</u>
<u>UNITED STATES DEPARTMENT OF</u>			
<u>HEALTH AND HUMAN SERVICES</u>			
Public Health Service Centers for Disease Control and Prevention - HIV Prevention Activities Non-Governmental Organization Based	93.939	N/A	\$ 627,435
Public Health Service Office of Minority Health Community Programs to Improve Minority Health Grant Program	93.137	N/A	29,833
Health Resources and Services Administration Grants to Provide	93.918	N/A	371,175
Health Resources and Services Administration Coordinated Services and	93.153	N/A	1,176,796
Health Resources and Services Administration Nonproliferation and Disarmament Fund	93.224	N/A	1,816,689
<u>Pass through:</u>			
<u>Mayor's Office of Health Policy</u>			
Ryan White C.A.R.E. Act Part A HIV Emergency Relief Project Grants	93.914	HL6113084	3,359,542
Ryan White C.A.R.E. Act Part A (NO Legal Services) HIV Emergency Relief Project Grants	93.914	HL6113084	165,772
<u>City of Baton Rouge</u>			
Ryan White C.A.R.E. Act Part A HIV Emergency Relief Project Grants	93.914	HL6113084	82,997
<u>Boston University</u>			
Ryan White C.A.R.E. Act Part A HIV Emergency Relief Formula Grants	93.914	HL6113084	17,467
<u>State of Louisiana Department of Health and Hospitals</u>			
Public Health Service Office of Minority Health Community Programs to Improve Minority Health Grant Program	93.137	YEPMP120071-03-00	3,500
Ryan White C.A.R.E. Act Part B HIV Care Formula Grants	93.917	728147	300,755
Health Resources and Services Administration Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA12908-07-03	10,033
Office of Public Health - HIV/AIDS Services Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Svndrome (AIDS) Surveillance	93.944	726497	277,765
Office of Public Health HIV Prevention Activities Health Department Based	93.940	734437	248,872
Office of Public Health HIV Prevention Activities Health Department Based	93.940	734437	201,522
<u>Unity of Greater New Orleans Inc.</u>			
Office of Substance Abuse and Mental Health Services Administration Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	144503091	33,007

See accompanying notes to the schedule of expenditures of federal awards.

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE
NEW ORLEANS, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

(continued)

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Disbursements/ Expenditures</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Pass through:</u>			
<u>City of New Orleans Division of Housing and Neighborhood Development</u> Housing Opportunities for Persons with AIDS	14.241	HOPWA-023G	775,123
<u>Unity of Greater New Orleans, Inc</u> Housing Opportunities for Persons with AIDS	14.241	LA-H130018	183,179
<u>Louisiana Department of Health and Hospitals</u> Housing Opportunities for Persons with AIDS	14.241	734105	135,026
<u>Louisiana Department of Health and Hospitals</u> Housing Opportunities for Persons with AIDS	14.241	320-200099	41,288
<u>Louisiana Department of Health and Hospitals</u> Community Development Block Grants/Entitlement Grants	14.218	LA022L6H31407	214,320
<u>Unity of Greater New Orleans, Inc</u> Continuum of Care Program	14.267	LA022L6H31407	85,610
Continuum of Care Program	14.267	625121660	123,052
Supportive Housing Program	14.235	LA0071L6H031406 & LA0223L6H031401	227,935
TOTAL FEDERAL AWARDS			<u>\$ 10,508,693</u>

Total federal expenditures by CFDA number

14.218	\$ 214,320
14.235	227,935
14.241	1,134,616
14.267	208,662
93.137	33,333
93.153	1,176,796
93.224	1,816,689
93.243	33,007
93.914	3,625,778
93.917	300,755
93.918	381,208
93.939	627,435
93.944	277,765
93.940	450,394
	<u>\$ 10,508,693</u>

The Task Force did not pass through any amounts to sub-grantees.

See accompanying notes to the schedule of expenditures of federal awards.

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of NO/AIDS Task Force (the Task Force) under programs of the federal government for the year ended June 30, 2017 for which the Task Force is considered a subrecipient of federal awards. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Task Force, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Task Force. The Task Force reporting entity is defined in Note 1 to the consolidated financial statements for the year ended June 30, 2017. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies, as applicable.

2. **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Task Force's consolidated financial statements for the year ended June 30, 2017. Such expenditures are recognized following the cost principles contained in accordance with the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

3. **Relationship to Consolidated Financial Statements**

Federal awards are included in the consolidated financial statements of the Task Force as follows:

Expenditure of Federal Awards	\$ 10,508,693
340B Drug Pricing Program (non-federal)	23,732,089
Other (non-federal and fee-for-service contracts)	<u>4,435,562</u>
Total grants and contracts	<u>\$ 38,676,344</u>

4. **De Minimis Cost Rate**

During the year ended June 30, 2017, NO/AIDS Task Force did not elect to use the 10% de minimis cost rate on all grants as covered in §200.414 of the Uniform Guidance. The Task Force uses the indirect rate allowed by individual grant agreements.

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE

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

(1) Summary of Auditors' Results

Financial Statements

The type of report issued on the financial statements: **Unmodified Opinion**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None Reported**

Noncompliance material to the consolidated financial statements noted? **No**

Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None Reported**

Type of auditor's report issued on compliance for major programs: **Unmodified opinion**

Any audit findings which are required to be reported under the Uniform Guidance? **No**

Major programs:

<u>CFDA</u> <u>Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.940	HIV Prevention Activities Health Department Based

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE

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

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as a low-risk auditee under The Uniform Guidance:	<u>Yes</u>
(2) Findings Relating to the Consolidated financial statements Reported in Accordance with <i>Government Auditing Standards</i>:	<u>None</u>
(3) Findings and Questioned Costs relating to Federal Awards:	<u>None</u>

NO/AIDS TASK FORCE
D/B/A CRESCENTCARE

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
None Reported	
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
None Reported	
SECTION III MANAGEMENT LETTER	
None Reported	

To the Board of Directors of
NO/AIDS Task Force
New Orleans, Louisiana

In planning and performing our audit of the consolidated financial statements of the NO/AIDS Task Force d/b/a CrescentCare (a nonprofit organization)(the Task Force) and subsidiary as of and for the years ended June 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Task Force's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Task Force's internal control. Accordingly, we do not express an opinion on the effectiveness of the Task Force's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The items listed below summarize our comments and suggestions regarding those matters. This letter does not affect our report dated December 29, 2017 on the financial statements of the Task Force. The Task Force's responses to our comments are described below. We did not audit the Task Force's responses and, accordingly, we express no opinion on the responses.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Task Force personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2017-1 Reconciling Accounts

Observation

During the course of our audit, several year-end adjustments related to the accounting for accounts receivable, investments, accounts payable, and revenue that needed to be made in order for the audit documentation to be provided.

The Task Force is in the midst of a new market tax credit financing arrangement and a construction project which has increased its activity. This level of activity increases the risk of potential error in accounting and reporting.

Recommendation

To mitigate this risk, we recommend that the Task Force enhance its procedures around the reconciliation of accounts and consider implementation of a process of reconciliations between outside reporting (i.e. Aprima) and the general ledger, at least on a quarterly basis. In addition, the Task Force should also consider providing more detailed information to the Finance Committee on a quarterly basis for its review.

Management's Response

The Task Force experienced a great deal of growth and transition within its accounting department. We recognize the need for improved processes and oversight and have been reworking the financial policies and procedures to reflect the changing financial structure. Effective on October 1, 2017, the finance committee has been provided a more detailed income statement and they have accepted a greater role in reviewing. Additionally, the finance staff have developed a monthly checklist outlining a monthly process for reconciliation between subsidiary ledgers and the general ledger. The checklist will be reviewed by both the Chief Executive Officer and finance committee. The Task Force had also revamped the current process of third party review of bank reconciliations and payroll registers to include more detail and has added third party review of credit card statements. A new Chief Financial Officer will start with the Task Force in January 2018.

2017-2 Internal Controls and Systems Review

Subsequent to the June 30, 2017 fiscal year, the Task Force discovered fraud that was committed by an individual who had access to the ClinCard/Incentive Program system. Reports that tracked the activity from this program were not being reviewed by appropriate management personnel that may have discovered the fraud earlier. In addition, the individual who perpetrated the fraud had access to the Task Force's system from his new position at the State of Louisiana, and thus was able to continue his fraudulent activity after he left as an employee of the Task Force. The overall misstatements and losses due to the fraud were not material to the overall Task Force consolidated financial statements for the year ended June 30, 2017.

Recommendation

The Task Force has grown substantially over the last few years. The Task Force should reevaluate its system of internal controls to ensure segregation of duties and safeguard its assets. This should include appropriate management reviews of key control activities and financial reports to ensure proper monitoring and segregation of duties. Key controls and reviews should be documented whether by manual or electronic methods. All of the critical accounting areas should be evaluated to assure that adequate controls are in place and operating as expected.

Management's Response

The internal process for password control has been updated to reduce the possibility of future fraud. Additionally, the Task Force has worked closely with its funding agencies to develop multi-faceted procedures to review both the programmatic and financial aspects of grant funding.

2017-3 Wire Transfers

Observations

The Task Force has limited wire-transfer/electronic funds transfer activity, however this method of payment and cash management activity is increasing, as the operations of the Task Force become more complex. The current processes for initiation and approval for such transactions rely on manual forms and verbal confirmations to ensure validity.

Recommendations

Financial institutions that process wire-transfers have developed new methods to better ensure validity and proper approval of such transactions. Many now involve electronic processing and user specific passwords to improve overall security. As the Task Force continues to grow and thus may need to rely on a higher volume of such payments, it should consider and seek out these improvements to its wire transfer processes.

Management's Response

Although wire transfers are still rarely used by the Task Force we recognize the need to develop processes to reduce the possibility of fraud and the Task Force has established a work group to develop and institute policy.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties. See the attached Louisiana Legislative Auditor's Fraud Reporting and Misappropriation Template, at the end of this letter for more information.

Postlethwaite & Netterville

New Orleans, Louisiana
December 29, 2017

Louisiana Legislative Auditor’s Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: NO/AIDS TASK FORCE D/B/A CRESCENTCARE (NATF)

FISCAL YEAR END: JUNE 30, 2017

#	ELEMENT OF FINDING	RESPONSE
1	A general statement describing the fraud or misappropriation that occurred.	<i>The assistant coordinator of the CAPUS program, overseeing the ClinCard Program and monitored the spending. The assistant coordinator was also a participant in the ClinCard Incentive program. The assistant coordinator fraudulently added \$105 (max amount allowed to receive at a time) to his ClinCard multiple times a week. He also set up two dummy accounts for people not enrolled in the program. The assistant coordinator left NATF and went to work for the state monitoring the program and the cards. When he left he was still able to get into ClinCard access site and load the cards.</i>
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	<i>ClinCard Incentive Program disbursements</i>
3	The amount of funds or approximate value of assets involved.	<i>Approximately \$106,000</i>
4	The department or office in which the fraud or misappropriation occurred.	<i>NO/AIDS Task Force’s Specialty Center</i>
5	The period of time over which the fraud or misappropriation occurred.	<i>October 2015 – September 2017</i>
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	<i>NO/AIDS Task Force and the Louisiana Department of Health Office of Public Health</i>
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	<i>David Armstead</i>
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	<i>No</i>
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	<i>Not applicable</i>

Louisiana Legislative Auditor's Finding Template for Reporting Fraud and Misappropriations

AGENCY NAME: NO/AIDS TASK FORCE D/B/A CRESCENTCARE (NATF)

FISCAL YEAR END: JUNE 30, 2017

10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	<i>Yes, NO/AIDS filed a police report and spoke with the white collar crime detective (Denis James) of the New Orleans Police Department. To the best of our knowledge to date, no action has been taken.</i>
11	What is the status of the investigation at the date of the auditor's/accountant's report?	<i>No action has been taken by the NOPD as of December 31st 2017.</i>
12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	<i>Yes, we filed a police report.</i>
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	<i>To the best of our knowledge, the as noted in #10 above, the New Orleans Police Department has taken no action.</i>
14	Has restitution been made or has an insurance claim been filed?	<i>Yes, an insurance claim was made and settled.</i>
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	<i>Yes</i>
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	<i>No. The Agency internally detected the misappropriation, however, it was not timely.</i>
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	<i>The control to reconcile CareWare to the ClinCard amounts was not properly being followed. A control for dual review on monthly ClinCard reports was not in place. ClinCard access should have been removed when the assistant coordinator was terminated. Note that the losses were not material to the overall financial statements for the periods impacted.</i>
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	<i>Management has implemented additional controls and reconciliations around the reconciliation of CareWare to the ClinCard amount, controls for dual review on monthly ClinCard reports, and controls around removing once an employee is terminated.</i>

NO AIDS TASK FORCE
STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2017

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of NO AIDS Task Force
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the management of NO AIDS Task Force (the Task Force) and the Louisiana Legislative Auditor (LLA) (the specified parties) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Task Force management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

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

We performed the procedures above and noted no exceptions.

- b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

We performed the procedures above and noted the following exception:

- **No written policy for (3) the preparation and approval process of purchase requisitions and purchase orders**

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

NO AIDS TASK FORCE

STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2017

Written Policies and Procedures (continued)

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

We performed the procedures above and noted the following exceptions:

- **No written policies regarding (1) types of services requiring written contracts.**
- **No written policies regarding (5) monitoring process.**

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted the following exception:

- **No written policies regarding (4) required approvers.**

Management response:

1b) Written Policies and Procedures - Purchases: *The Task Force does not use a purchase order system. Checks are generated by approved invoice or, if invoice not available, a check requisition form. Due to the size and complexity of the Task Force programs and service and the relatively small size of the finance department there are no plans to begin using purchase orders or include them in the policies and procedures.*

1f) Written Policies and Procedures - Contracts: *The Task Force policy requests review of professional services to ascertain if a contract is required. The Task Force uses a check list for monitoring contracts, but it is not outlined in our policies. Contract monitoring for grant funded projects are included in the grant terms and conditions.*

1h) Written Policies and Procedures - Travel and Expense Reimbursement: *The Task Force travel reimbursement requests require supervisors signature before payment as noted in the form that is used. It was an oversight by the Task Force that the process was not detailed in the procedures manual. This will be corrected.*

Board (or Finance Committee, if applicable)

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

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

We performed the procedures above and noted no exceptions.

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

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above, note the minutes referenced or included non-budgetary financial information and noted no exceptions.

Bank Reconciliations

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

We performed the procedures above and noted no exceptions.

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

- a) Bank reconciliations have been prepared;

We selected five bank accounts and performed the procedures listed above, noting the following exceptions:

- **One of the 60 monthly bank reconciliations tested did not have documentation of being prepared for the Capital One – Merchant bank account.**
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

We performed the procedures above, noting the following exceptions:

- **For 45 out of 60 monthly bank reconciliations tested, no evidence of review of bank reconciliations by a member of management or a board member was present.**
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

We selected five bank accounts and performed the procedures above, noting no exceptions.

Management response:

4) Bank Reconciliations: *Review of bank reconciliations had been required at the Task Force in the past; however, during a change in management this past year this process was discontinued. The required processes were reinstated in October 2017.*

Collections

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

We performed the procedures above and noted no exceptions.

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

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

We performed the procedures above and noted the following exceptions:

- **No written documentation stating that the person responsible for collecting cash is (1) bonded.**
- **No written documentation stating that the person responsible for collecting cash is (3) not required to share the same cash register or drawer with another employee.**

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

We performed the procedures above and noted no exceptions.

Collections (continued)

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

We performed the procedures above and noted the following exception:

- **For one deposit, the deposit was made 21 days subsequent to collection.**

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

We performed the procedures above and noted no exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

We performed the procedures above and noted no exceptions.

Management's response:

6a) Cash Collection Documentation: *The Task Force collects less than \$50,000 in cash from patient services in an entire year. Considering the low risk, the Task Force had no plans of bonding any of their staff or changing the collection policy.*

6c) Cash Deposits: *The Task Force policy is that cash collected is deposited within the week of collections. The deposit in question was overlooked in error by the Task Force.*

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

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

We performed the procedures above and noted no exceptions.

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

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

We performed the procedures above and noted the following exception:

- **None of the items tested were initiated using a requisition / purchase order system. The Task Force does not utilize a requisition / purchase order system, and written policies and procedures do not require such documentation.**

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

We performed the procedures above and noted the following exception:

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

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

We performed the procedures above and noted the following exception:

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

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

We performed the procedures above and noted no exceptions.

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

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

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

Management's response:

9) Purchase Documentation: The Task Force does not use a purchase order system. Checks are generated by approved invoice or, if invoice not available, a check requisition form. Due to the size and complexity of the Task Force programs and service and the relatively small size of the finance department there are no plans to begin using purchase orders.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

We performed the procedures above and noted no exceptions.

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

We selected 10 credit cards and performed the procedures above. We noted the following exceptions:

- **There was no evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.**

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

We performed the procedures above and noted no exceptions due to the fact that no finance charges or late fees were charged to the selected statements.

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

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

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

We performed the procedures above and noted the following exception:

- **Of the 69 transactions tested, five transactions did not have original itemized receipts.**

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

We performed the procedures above and noted the following exception:

- **Of the 69 transactions tested, 28 transactions did not have a documented business purpose.**

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

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

Management's response:

16) Credit Card receipts and Business Purpose: *The Task Force credit card process has been revised in the past year. In January of 2017, employees who are in possession of a credit card are required to fill out a spreadsheet detailing their purchases including a description of the purpose of the purchase. Additionally, they are to forward their original receipts to accounting for payment. Description of purchases are not therefore required to be on the receipt. Credit card use is reviewed monthly by the CFO but currently the agency has no documented extremal review process. A review process will be implemented in the future.*

Travel and Expense Reimbursement

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

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

We performed the procedures above and noted no exceptions.

- b) Report whether each expense is supported by:
- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

Travel and Expense Reimbursement (continued)

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

Contracts

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

We performed the procedures above and noted no exceptions.

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

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

We performed the procedures above and noted no exceptions.

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

Of the five contracts selected, one contract was subject to the Louisiana Public Bid Law or Procurement Code.

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

We performed the procedures above for the one contract subject to the Louisiana Public Bid Law or Procurement Code and noted no exceptions.

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

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

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

We performed the procedures above and noted no amendments and no exceptions.

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

Payroll and Personnel

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

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

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

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

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

We performed the procedures above and noted no exceptions.

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

We performed the procedures above and noted no exceptions.

Payroll and Personnel (continued)

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

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

We performed the procedures above and noted exceptions regarding retirement contributions, but the following exceptions regarding the retirement reporting.

- **The Form 5500 filing for the Task Force's 403(b) plan has not yet been filed for its December 31, 2016 plan year.**

Management's response:

25) Retirement Contributions Required Reporting: Due to the implementation of a new 401(k) plan the Task Force Implemented effective January 1, 2017, the Form 5500 filing has not yet been completed, but is in process.

Ethics and Debt Service (excluding nonprofits)

Items 26-30 were not included as not applicable to nonprofits.

Other

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

We performed the procedure above and noted the following:

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

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

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

We performed the procedures above and noted no exceptions.

Management's response:

31) Misappropriations of Public Funds: The possible misappropriation of funds was discovered by the Task Force and was reported to the funding agency immediately. The funding agency informed the Louisiana Legislative Auditor as required.

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

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

The Task Force's written response to the exceptions identified in the SAUPs has not been subjected to any procedures and, accordingly, we do not express an opinion.

Postlethwaite & Netterville

New Orleans, Louisiana
December 29, 2017