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The Kennedy Center Of Louisiana, Inc.
Financial and Compliance Audit
For the Year Ended December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUN 11 2014

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Independent Auditor's Report

To the Board of Directors
The Kennedy Center of Louisiana, Inc.
Shreveport, LA 71101

Report on the Financial Statements

I have audited the accompanying financial statements of The Kennedy Center of Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses – direct federal programs, functional expenses – federal pass through programs, state contracts, and administrative and general expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion

As more fully described in Note L to the financial statements, The Kennedy Center of Louisiana, Inc. has included as an asset the net imbalance in inter-fund receivables and certain liabilities have been recorded that do not exist. In my opinion accounting principles generally accepted in the United States of America require that inter-fund receivables net to zero rather than $77,656 as recorded in the financial statements. Additionally, in my opinion, accounting principles generally accepted in the United States of America require that approximately $31,100 of nonexistent liabilities included in payroll liabilities not be reported on the financial statements.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of The Kennedy Center of Louisiana, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated April 15, 2014 on my consideration of The Kennedy Center of Louisiana, Inc.'s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Kennedy Center of Louisiana, Inc.'s internal control over financial reporting and compliance.

James Dennis Willard, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
April 15, 2014

THE KENNEDY CENTER OF LOUISIANA, LLC

Statement of Financial Position
December 31, 2012

ASSETS		
Current Assets		
Cash and cash equivalents	$	22,531
Grants and Contracts Receivable		82,252
Accounts Receivable – related parties		15,583
Inter-program receivables		77,656
Total Current Assets		198,022
Fixed Asset -		
Vehicle, net of accumulated depreciation of $2,309		10,884
Other Assets -		
Deposit		500
Total Assets	$	209,406
LIABILITIES & DEFICIT		
Liabilities – all current		
Accounts Payable	$	78,836
Payroll Liabilities and Accrued Payroll		71,413
Due to related party		4,003
Deferred Revenue		90,457
Total Liabilities – all current		244,709
Net Deficit		
Deficit		(35,303)
Total Deficit		(35,303)
Total Liabilities and Deficit	$	209,406

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

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Activities
For the year ended
December 31, 2012

Revenues and Support	
Direct Federal Grants	$ 595,221
Indirect Federal Grants	453,166
State Contracts	249,227
Non-governmental program service revenue	48,119
Other revenue	32,719
Gain on disposal of asset	3,293
Contributions	1,080
Total Revenue	1,382,825
Expenses	
Program Services – Direct Federal Grants	595,221
Program Services – Federal Programs Passed Through State	438,273
Program Services – State Contracts	203,143
Support Services	147,090
Total Expenses	1,383,727
Decrease in Net Assets	(902)
Deficit, Beginning of Year	(39,050)
Prior Period Adjustments	4,649
Deficit, End of Year	$ (35,303)

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses – Direct Federal Programs
For the Year Ended
December 31, 2012

	Direct Federal Programs					
	Street Outreach Program	SafeHaven	Juvenile Mentoring FX-0043	Juvenile Mentoring BX-0006	Adult Mentoring BX-0071	Total
Personnel Costs	$57,543	$13,271	$ 70,441	$121,440	$ 91,853	$354,548
Fringe Benefits	6,634	7,482	32,634	26,147	22,388	95,285
Consultants, Contracts, and Services	8,955	9,015	10,280	26,626	16,830	71,706
Facilities and Occupancy	1,252	818	-	-	-	2,070
Supplies	691	1,681	2,472	9,986	3,317	18,147
Postage and Printing	51	632	709	662	488	2,542
Travel, Conferences, & Meetings	910	4,011	4,838	7,988	3,853	21,600
Advertising	-	-	-	417	-	417
Telephone	5,376	2,967	3,342	-	-	11,685
Insurance	136	-	102	171	102	511
Other	568	782	1,156	13,122	1,082	16,710
	$82,116	$40,659	$125,974	$206,559	$139,913	$595,221

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses – Federal Pass Through Programs, State Contracts, and Administrative and General Expense
For the Year Ended
December 31, 2012

	Federal Programs Passed Through State	State Contracts	Administrative and General Expense
Personnel Costs	$144,197	$156,207	$ 1,985
Fringe Benefits	12,357	25,796	5,048
Consultants, Contracts, and Services	212,915	16,010	25,999
Depreciation	-	-	1,209
Facilities and Occupancy	1,243	756	36,479
Supplies	38,429	471	6,993
Postage and Printing	170	100	1,477
Travel, Conferences, & Meetings	6,710	3,851	4,777
Advertising	-	54	2,486
Telephone	1,513	-	14,710
Insurance	2,220	102	18,365
Other	18,519	(204)	27,562
	$438,273	$203,143	$147,090

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Cash Flows
For the year ended
December 31, 2012

OPERATING ACTIVITIES	
Decrease in Net Assets	$ (902)
Depreciation	1,209
Gain on disposition of asset	(3,293)
Adjustments to reconcile net assets	
to net cash provided by operations:	
Decrease in Grants Receivable	200,418
Increase in Contracts Receivable	(53,684)
Increase in Due From Programs	(40,313)
Increase in Accounts Payable	61,602
Increase in Accrued Payroll and Payroll Liabilities	30,479
Decrease in Due to Programs	(56,165)
Deferred Revenue	(160,168)
Net cash provided by Operating Activities	(20,817)
INVESTING ACTIVITIES	
Purchase of Vehicle	(9,093)
Proceeds from Disposition of Vehicle	8,029
Increase in Account Receivable From Related Party	(15,583)
Security Deposit	(500)
Net cash used by Investing Activities	(17,147)
FINANCING ACTIVITIES	
Increase in Due from Related Party	1,003
Net cash decrease for period	(36,961)
Cash at beginning of period	59,492
Cash at end of period	$ 22,531

The accompanying notes are an integral part of the financial statements

NOTE A – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Kennedy Center of Louisiana, Inc. (TKCL) was organized in 2009 as a not-for-profit entity in the State of Louisiana. The mission of the organization is to empower individuals to reach their full potential by supporting, teaching, and linking them to resources in the community.

Nature of Activities

The primary funding sources of TKCL are:

Direct Federal Programs:

- **United States Department of Justice**
  Juvenile Mentoring Program – provides mentoring of juvenile offenders during confinement, through transition back to the community, and post-release; transitional services to assist the reintegration of youth offenders into the community; and training in offender and victim issues.

  Second Chance Act Prisoner Reentry Initiative – assist with the transition of individuals from prison or jail to the community.

- **United States Department of Health and Human Services**
  Street Outreach Program - provide street-based services to runaway, homeless and street-youth who have been subjected to, or are at risk of being subjected to, sexual abuse, prostitution, or sexual exploitation.

- **United States Department of Health and Human Services**
  Transitional Living Program (Safehaven) - targets young people between the ages of 16-21 who are considered homeless or in a situation where family reunification is neither possible nor appropriate. The services offered are designed to help young people make a successful transition to self-sufficient living.

Indirect Federal Programs

- **Louisiana Department of Education, Twenty-First Century Community Learning Centers** – assist students in meeting state and local academic achievement standards in core academic subjects, such as reading and mathematics, by providing opportunities for academic enrichment activities and a broad array of other activities during non-school hours or periods when school is not in session..

The continued existence of the foregoing programs will be dependent upon contractual renewals with the TKCL's various funding sources.

Basis of Accounting

The accounting policies of TKCL conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations. TKCL prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred. The more significant accounting policies of TKCL are described below:

Accounts Receivable – TKCL predominantly extends credit through billing for reimbursement of allowed costs in connection with providing services under contract with various federal and state agencies. All extensions of credit are on an unsecured basis. Grant receivables are recorded at the amount billed and are deemed delinquent based on contractual terms.

Allowance for Doubtful Accounts - The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the receivables in light of historical experience, the nature and type of account, adverse situations that may affect the payor's ability to repay and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Receivables deemed uncollectible are charged off against the allowance when management believes the uncollectability is confirmed. At December 31, 2012, all receivables were deemed collectible by management.

Property and Equipment – Fixed assets purchased by TKCL are recorded at cost. TKCL capitalizes all expenditures for fixed assets in excess of $1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets, which consist primarily of transportation vehicles depreciated over five years.

Cash Equivalents - Cash and cash equivalents include bank deposits and cash on hand.

Contributions - Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. At December 31, there were no unconditional promises to give.

Net Assets - TKCL classifies net assets into three categories: unrestricted, including board designated, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions. At December 31, 2012, TKCL had no temporarily or permanently restricted net assets.

Income Taxes - Under provisions of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Louisiana, TKCL is exempt from income taxes There were no unrelated business activities in 2012. Accordingly, no tax expense was incurred for the year ended December 31, 2012.

TKCL has adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this standard had no impact on the organization's financial statements. TKCL does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of December 31, 2012, as a result of the adoption of FASB ASC 740-10-25. For the year ended December 31, 2012, there were no interest or penalties recorded or included in its financial statements.

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements are the collectability of grants and contracts receivable.

Economic Dependency - Approximately 44% of the Agency's funding is direct federal funds and 33% is indirect federal funds, passed-through the State of Louisiana's, Department Of Education. Additionally, TKCL receives 14% of its funding from the State of Louisiana with the remaining funds coming from various non-governmental funding sources.

NOTE B - Grants and Contracts Receivable

As of December 31, 2012, there were no grants receivable and contracts receivable was composed of:

Louisiana Department of Education	
21st Century Learning Centers	$82,252

NOTE C – Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash at financial institutions. Demand deposits, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances in the cash accounts in excess of FDIC insurance limits are insured by the Dodd-Frank Deposit Insurance Provision. At December 31, 2012, deposits did not exceed FDIC insurable limits. The Organization believes it is not exposed to any significant credit risks on its cash balances.

NOTE D - Deferred Revenue

The Organization records grant awards as grants receivable and deferred revenue when the grant is made. When the Organization expends grant funding, revenue is recorded with an off-set to deferred revenue to record the earned grant award. Deferred revenue is composed of the following as of December 31, 2012:

Grant/Program	CFDA No	Deferred Revenue
Juvenile Mentoring	16.726	$61,431
SafeHaven	93.550	16,140
Street Outreach Program	93.557	12,886
Total		$90,457

NOTE E - Operating Leases

The Kennedy Center of Louisiana, Inc. entered into a commercial lease for its office space located at 809 College St Shreveport, Louisiana for a term of three years beginning July 1, 2011. Rent for this lease is $1,500 monthly, payable on the first of the month. The lease has an option to renew for one additional two year term at a monthly rental of $1,750.

The Kennedy Center also entered into an agreement for space rental for other program activities at 404 Hearne Avenue, Shreveport, LA. The agreement was a month to month agreement with no extending terms. The Organization rented the space at a cost of $900 per month for an eight month period and $1,000 per month for the remaining four months.

Rent expense for the year was $29,300. At year end the minimum lease commitments are as follows for the years ending December 31,

2013	$18,000
2014	$10,500

NOTE F – Commitments and Contingencies

The Kennedy Center of Louisiana has been named as a defendant in a case brought by three former contract workers alleging failure to pay compensation. The matter is covered by TKCL's insurance company and management has and will continue to vigorously contest the claims. Management does not expect the matter to result in a material adverse claim to TKCL.

NOTE G – Summary of Grants

The Kennedy Center of Louisiana, Inc. was primarily funding through the following grants:

				Award Period	
Grant	Agency	Award No	Award Amount	From	To
Street Outreach	HHS	90YO024	$ 100,000	09/30/11	09/29/2012
OJJDP FY 09	U.S. Dept of Justice	2009-JU-FX-0043	499,935	07/01/2011	06/30/2012
OJJDP FY 09	U.S. Dept of Justice	2010-CY-BX-0071	298,930	10/01/2011	09/30/2012
21st Century Learning	LA EDU	690677	1,140,000	06/01/2010	05/31/2013
Trausitional Living Program (Safehaven)	HHS	90CX6880-01-01	203,878	09/30/2012	09/29/2013
Youth Services Mentor Program	LA Dept of Public Safety & Corrections	711568	182,500	01/01/2012	12/31/2012

NOTE H – Subsequent Events

The Organization has evaluated subsequent events through, April 15, 2014 the date which financial statements were available to be issued.

NOTE I – Prior Period Adjustment

Prior period adjustments were made to recognize reductions of accounts receivable which should have been adjusted in 2011. The net effect was to increase due from other programs by $4,649, total assets by $4,649 and decrease the deficit in net assets by $4,649.

NOTE J – Related Party Transactions

At December 31, 2012, included in the Statement of Financial Position are the following relative to related parties:

Item and Source	Amonnt
Due from executive director for the down payment on and notes payments for a vehicle along with insurance payments through December 31, 2012	$15,583
Due to executive director for advances made on behalf of TKCL and other miscellaneous items	$1,003
Due to executive director for purchase of vehicle for $11,000 in exchange for an initial cash payment of $1,500 and a note of $9,500	$3,000

Included in the Statement of Activities for the year ended December 31, 2012 are the following relative to related parties:

Item and Source	Amount
Payments to board member for contract services	$8,465
Payments to board member for contract services	$8,465
Payment to entity of which executive director is also a board member for contract services	$1,440
Payment to executive director for interest	$128

NOTE K – Supplemental Cash Flow Information

TKCL paid $128 in interest expense in the year ended December 31, 2012. TKCL purchased a vehicle during the year ended December 31, 2012 for cash of $1,500 and a note of $9,500.

NOTE L – Adverse Opinion

Accounting principles generally accepted in the United States of America require that only bona fide receivables from entities outside of the reporting entity be reported as assets. At December 31, 2012, TKCL reported as an asset the difference in recorded receivables and payables resulting from transfers between its cash accounts. The net amount of $77,656 should be zero as all related cash accounts and transactions affecting those accounts are reported in these financial statements. Additionally, these financial statements include approximately $31,100 in Payroll Liabilities and Accrued Payroll.

The amount should be zero as of December 31, 2013. As a result of the two items mentioned in the preceding paragraph, the financial statements do not conform to accounting principles generally accepted in the United States of America.

THE KENNEDY CENTER OF LOUISIANA, INC.

Schedule of Expenditures of Federal Awards by Grant
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures ($)*
United States Department of Justice Direct Programs			
Juvenile Mentoring Program	16.726		$332,533
Second Chance Act Prisoner Reentry Initiative	16.812		139,914
Department of Education Pass-Through Programs			
Passed-through Louisiana Department of Education:			
Louisiana Department of Education Twenty-First Century Community Learning Centers	84.287	690677	453,166
Department of Health and Human Services Direct Programs			
Transitional Living for Homeless Youth	93.550		40,425
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		82,349
Total Expenditures of Federal Awards			$1,048,387

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal award of the Kennedy Center of Louisiana, Inc., has been prepared utilizing the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE B – SUB-RECIPIENTS

The Kennedy Center of Louisiana, Inc. did not provide any federal award expenditures to sub-recipients.

NOTE C – DEFERRED REVENUES

See Note D in the notes to the financial statements.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
The Kennedy Center of Louisiana, Inc.
Shreveport, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Kennedy Center of Louisiana, Inc. ("TKCL") as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued my report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered TKCL's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fair's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies that I consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Items 12-01, 12-02 and 12-04)

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. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 12-03 to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether TKCL's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and questioned costs as Items12-06 through 12-09.

The Kennedy Center of Louisiana, Inc. responses to the findings identified in my audit are described in the accompany schedule of findings and questioned costs. I did not audit the responses and, accordingly, I express no opinion on the responses.

Purpose Of Report

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

Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

James Dennis Willard, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
April 15, 2014

James K. McClelland, CPA LLC

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Independent Auditor's Report on Compliance For Each Major Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Directors of
The Kennedy Center of Louisiana, Inc.
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

I have audited The Kennedy Center of Louisiana, Inc.'s ("TKCL") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2012. TKCL's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibilities

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

Auditor's Responsibilities

My responsibility is to express an opinion on TKCL's compliance for each of the Organization's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I 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 Organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Organization's compliance.

Basis for Qualified Opinion on Major Programs

As described in Findings 12-08 and 12-09 in the accompanying schedule of findings and questioned costs, The Kennedy Center of Louisiana, Inc. did not comply with the Cash Management Requirements for its Juvenile Mentoring Program, CFDA 16.726 or its 21st Century Learning Center Program, CFDA 84.287. Compliance with such requirements is necessary, in my opinion, to comply with the requirements applicable to that program.

Qualified Opinion on Major Programs

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Juvenile Mentoring Program, CFDA 16.726 and the 21st Century Leaning Center Program for the year ended December 30, 2012.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing my audit of compliance, I considered the Organization'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Organization's internal control over compliance.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

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. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 12-10 to be a material weakness.

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 charge with governance.

The Kennedy Center of Louisiana, Inc. responses to the findings identified in my audit are described in the accompany schedule of findings and questioned costs. I did not audit the responses and, accordingly, I express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirementsof OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of the Organization as of and for the year ended December 31, 2012, and have issued my report thereon dated April 15, 2014 which contained an adverse opinion on those financial statements. My 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 OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

James D. McClelland, CPA LLC

Certified Public Accountant

Shreveport, Louisiana
April 15, 2014

THE KENNEDY CENTER OF LOUISIANA, INC.

Schedule of Findings and Questioned Cost
Section I – Summary of Auditor's Report

Finaucial Statements

Type of auditor's report issued - Adverse

Internal Control over financial reporting

Material Weaknesses identified	x yes	_ no
Significant deficiencies identified	x yes	_ no
Noncompliance material to financial Statements noted	x yes	_ no

Federal Awards

Internal control over major program:

Material weakness(es)	x yes	_ no
Significant deficiencies identified	_ yes	x none reported
Type of auditor's report issued on compliance for major programs	Qualified	
Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133	x yes	_ no

Major program identified	
21st Century Learning Center	CFDA 84.287
Juvenile Mentoring Program	CFDA 16.726

Dollar threshold used to distinguish between type A and type B programs $300,000.00

Auditee qualified as a high risk auditee

Schedule of Findings and Questioned Cost
Section II - Financial Statement Findings

Item 12-01

Criteria
Account classifications are inconsistent between companies.

Condition
An examination of the chart of accounts reflected inconsistent application of the classification of expenditures within the general ledger. In some cases, account classifications were duplicated within the chart of accounts and the general ledger. An example was that "travel" may have been shown as "travel" and again as "travel and entertainment" for the same type of expenditure.

Further examination of the records indicated that the organization does not have an accounting policy that includes the general purpose chart of accounts.

Effect
The inconsistent application of general ledger account classifications could possibly cause over expending in budget categories. Also, additional time is required to prepare financial reports because data will need to be accumulated from several accounts containing the same information.

Context
In the initial examination of the general ledger, it was determined that consistence application of general ledger account classification was not performed.

Cause
The organization does not have an accounting manual that provides for the general purpose chart of accounts for use by the organization. In addition, the organization does not have written accounting procedures to instruct staff on the classification of financial transactions.

Recommendation
It is recommended that management review its chart of accounts and correct duplicate account classifications. It is also recommended that the organization develop an accounting manual that would provide for the proper policies and procedures including a chart of accounts and account classifications.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. The accounting manual has been completed to provide proper policy and procedure, including policy and procedures for the chart of accounts definition, descriptions, and classifications. Procedures have been implemented to correct audit recommendations. However, such procedures were not implemented until after the current audit period.

Schedule of Findings and Questioned Cost
Section II - Financial Statement Findings
(Continued)

Item 12-02

Criteria or specific requirement
OMB Circular A-110, Sub-Part C (b)(2) requires grantees to maintain records that adequately identify the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.

Condition
The books of account did not accurately reflect the accounting for grant awards made to the organization. Initial grant awards were not recorded as well as, the unobligated balances. Material audit adjustments were required to report audited balances for grants/contracts receivables and grant revenue.

Effect
The unadjusted statement of activities did not properly reflect the correct revenues earned from grant activities. In addition, the unadjusted statement of financial position did not reflect the grant receivable or unobligated grant funds (deferred revenue). Unadjusted revenues were recorded on a cash basis.

Context
In performing the examination of revenues, it was determined that grant advances were being recorded as direct revenues rather than as a reduction of the grant receivable. Also, deferred revenues were not recorded and a reduction of deferred revenues as earned grant revenues was not recognized.

Cause
The bookkeeper did not possess the necessary knowledge of recording grants and grant revenues.

Recommendation
It is recommended that management provide the bookkeeper with additional training in accounting for grants.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. We will upgrade the bookkeeper's knowledge on accounting for grants by enrolling her in additional training courses as it relates to non-profits and grant accounting. Subsequent to 2012, a senior accountant familiar with nonprofit and grant accounting was hired.

Schedule of Findings and Questioned Cost
Section II - Financial Statement Findings
(Continued)

Item 12-03

Criteria
Internal controls over disbursement require that when invoices are paid, the corresponding invoices should be cancelled when payment is made.

Condition
Processed vouchers are not cancelled when paid. Invoice documents are not stamped paid and there was no evidence that management approved the document for payment with the exception of the check signature.

Effect
There is a possibility that invoice documents can be reused to cover unauthorized payments.

Context
An examination of 120 individually selected items was made for the purpose of determining the allowability and reasonableness of costs. It was observed that none of the supporting documentation was cancelled to prevent reuse.

Cause
Management was not aware that the controls should include the cancellation of documents to prevent reuse.

Recommendation
It is recommended that management obtain an imprinting stamp that reflects at a minimum that someone approved the supporting invoice document, the initials of the person who processed the document, and the date the document was paid.

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director, Bookkeeper, Account Clerk

Corrective Action Plan: We concur with this recommendation. The accounting manual has been completed to provide proper policy and procedure, including policy and procedures for cash disbursements. Invoices are now cancelled and procedures have been implemented to correct audit recommendations.

Schedule of Findings and Questioned Cost
Section II - Financial Statement Findings
(Continued)

Item 12-04

Criteria or specific requirement
A monthly bank reconciliation of the bank accounts on a timely basis by someone independent of the handling or recording of cash receipts and disbursements is an essential control over the cash balances.

Condition
The checking accounts were not reconciled to the book balances on a timely basis.

Effect
Because the preparation of bank reconciliations was deferred for extended periods of time, the value of controls over cash was reduced.

Context
During the examination of cash balances, it was determined that reconciliations had been performed at least three months following the fiscal year end.

Cause
Management did not review monthly reconciliations as a requirement of the policies and procedures of the control environment.

Recommendation
It is recommended that the cash accounts are reconciled immediately following the end of each accounting cycle. It is also recommended that management review, verify, and document that the reconciliations were performed. In addition, someone other than the bookkeeper should obtain the bank statements and the bank reconciliations and compare the results to the book balances.

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director, Bookkeeper, Account Clerk

Corrective Action Plan: We concur with this recommendation. Procedures have already been implemented to insure bank accounts reconciled on a timely basis.

12-05

Criteria or specific requirement
Prudent governance and management practices for not-for-profit entities dictate that transactions between those charged with governance and management of an organization minimize financial transactions between themselves and the entities for which they are responsible. This goes to the heart of performing their fiduciary duties with respect to the organization.

Schedule of Findings and Questioned Cost
Section II - Financial Statement Findings
(Concluded)

Condition
There were numerous related party transactions between TKCL and members of management or entities in which they held a financial interest. In one instance, the executive director loaned TKCL some money and, when repayment was made, the payment was made to a third party on behalf of the executive director. This substantially hampers the ability to properly track the use of funds.

Effect
Related party transactions are problematic, at best, and can lead to the perception of abuse even if none is present or intended. Additionally, making payments to entities who are not the direct parties to a transaction leads to blurring the line between personal and corporate funds.

Context
During the examination of property and equipment purchases as well as in an overall review of general ledger entries.

Cause
Management was not aware of the potential hazards of related party transactions and had no written policies in place governing conflicts of interest. Additionally, two of the four board members are presently members of management, which can limit objectivity in reviewing potential related party transactions.

Recommendation

It is recommended that management immediately establish guidelines governing all related party transactions and that all such transactions be reported and approved at board meetings. The board of directors should also investigate the potential of recruiting additional outside directors.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director, Bookkeeper, Account Clerk

Corrective Action Plan: We concur with this recommendation. Management will immediately establish guidelines governing all related party transactions and all transactions will be approved in writing by the board of directors.

Schedule of Findings and Questioned Cost
Section III – Federal Award Findings and Questioned Costs

Item 12-06

Criteria or specific requirement
The Office of Juvenile Justice Program 2009 Mentoring Grant and the Department of Health and Human Service's Street Outreach Services grants required matching requirements as part of the grant awards.

Condition
The organization's financial records reflected that the matching requirements were met in the general fund account but were not allocated to the records of the program accounts.

Effect
The Organizations cannot measure whether the matching level of effort is being met for each of the programs that require this compliance requirement.

Context
As part of the single audit requirements, an examination was made to determine whether matching requirements were made in accordance with the grant agreements.

Cause
The Organization did not properly allocate the matching costs incurred to the programs requiring matching share.

Recommendation
Management should ensure that expenses paid for the matching share are allocated to the various programs that require non-federal match as part of the compliance requirements.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. In the future the Organization will record the non-federal matching share to the programs requiring a non-federal match.

Anticipated Completion Date: Immediately

Item 12-07

Criteria
Louisiana Revised Statute 24:513 require that an audited financial statement be submitted to the Legislative Auditor within six months of the close of the organization's fiscal year.

Condition
The Organization's fiscal year ended December 31, 2012 and was required to submit an audit report by June 30, 2013. However, it was not submitted until the first quarter of 2014. Additionally, the financial statements were not filed with the Federal Audit Clearinghouse until after 9 months from TKCL's year end.

Schedule of Findings and Questioned Cost
Section III – Federal Award Findings and Questioned Costs
(Continued)

Questioned Costs
None

Effect
The Organization is not in compliance with State requirements.

Cause
The Organization obtained the services of a person that was not on the approved list of auditors published by the Louisiana Legislative Auditor. As a result, the Organization obtained the services of another auditor who was on the approved list of auditors published by the Louisiana Legislative Auditor, however, the timing was such that the auditor was unable to complete the audit timely.

Recommendation
The Organization should engage an auditor within 45 days of its year end. In addition, the Organization should review the approved auditor's list to ensure that the person engaged for audit services is approved to provide audit services.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director

Corrective Action Plan: Management concurs with auditor's finding as noted. Management will ensure audits are conducted and reported in a timely manner.

12-08

Criteria
OMB Circular A-110 (2 CFR section 215.22(b)) requires, in part:

> Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for fund control and accountability as established in Section ___.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.

Condition
As of December 31, 2012, the financial statements reflected deferred revenue of $61,431 for the Juvenile Mentoring Program, CFDA 16.726. Deferred revenue represented advances under the Program that had not yet been expended. A review of the subsequent month's transactions did not reflect disbursements sufficient to require advances as of December 31, 2012 in this amount.

Effect
Failure to maintain a cash management system that insures that advances to the organization are limited to the minimum amount needed to meet immediate cash needs can result in the organization not maintaining its ability to receive cash advances. This can, in turn, lead to liquidity problems.

Schedule of Findings and Questioned Cost
Section III – Federal Award Findings and Questioned Costs
(Continued)

Context
This condition was noted during testing of cash management requirements under the referenced major program.

Cause
The organization does not maintain a written policy covering the proper calculation and timely drawdown of cash advances.

Recommendation
It is recommended that management establish and adhere to written policies governing the organizations request for advances to time such requests to meet immediate program needs.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. Written policies governing the drawdown of funds for each program will be established and followed, including written approval by the CEO to make draw downs..

Due date: Immediately

12-09

Criteria
OMB Circular A-110 (2 CFR section 215.22(b)) requires, in part:

> Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and (2) financial management systems that meet the standards for fund control and accountability as established in Schedule of Findings and Questioned Cost Section ___.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project.

Condition
At December 31, 2012, the TKCL records reflect numerous instances where funds from one program had been used to pay expenses of other programs. As noted in the preceding Item 12-08, funds for the Juvenile Mentoring Program, CFDA 16.726 had been drawn down far in excess of amounts earned under the program. Additionally, the TKCL records reflect the following net amounts due from one TKCL program to another:

Program	Net Receivable (Payable)
21st Century Leaning Center, CFDA 84.287	$ 146,175
TKCL General Account	(110,287)
Chance For Success, CFDA 16.812	(29,299)
Street Outreach Program, CFDA 93.557	(4,872)
Mount Bethany Daycare	9,320
Second Chance Program, CFDA	66,619
Net interfund receivable	$ 77,656

Findings and Questioned Cost
Section III – Federal Award Findings and Questioned Costs
(Continued)

In addition to the imbalance between interfund receivables and payables, TKCL is reflecting a net of $45,800 in liabilities for payroll taxes, although the taxes were paid as of December 31, 2012. A review of the individual accounts indicates that transfers between cash accounts may also play a part in the recording of these unsupported general ledger balances.

In some instances, checks were issued purporting to pay for certain expenditures, but were never released. For example, the bank reconciliation reflects payments of $25,412.25 to the Avoyelles Parish School Board ("APSB") for its fiscal year ending June 30, 2012, but the checks were never issued. Thus, the Center obtained the funds from the Louisiana Department of Education, but did not remit them to APSB.

Effect

The effect of this failure in cash management is to materially misstate the financial statements, jeopardize the financial health of TKCL and those vendors with which it does business. Ultimately, this puts the programs undertaken by TKCL at risk.

Additionally, the practice of transferring funds intended for one program to other programs clouds the source of funds to the extent that it appears funds designed to be used for public purposes were instead used to purchase a vehicle for the use of the executive director.

Context
This situation was found in the process of attempting to balance inter-fund receivables.

Cause
The organization does not maintain a written policy covering the proper accounting for fund transfers.

Recommendation

It is recommended that management immediately establish a policy to govern the movement of cash between cash accounts, specifically concentrating on limiting transfers only where necessary and where expenditure of funds will be made only for purposes that comply with applicable grant agreements. Further, management should undertake immediately to determine the proper balance of each inter-fund account and put in place a plan to make each program whole.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. Written policies and procedures governing the drawdown of funds for each program will be established and followed. Specifically, draw downs and transfers will be limited only to those amounts required to pay program expenses.

Due date: Immediately

Findings and Questioned Cost
Section III – Federal Award Findings and Questioned Costs
(Concluded)

12-10

Criteria
The A-102 Common Rule and OMB Circular A-110 require that non-Federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

Condition
In obtaining my understanding of TKCL's internal controls over compliance, I determined that the controls in place were not sufficient to reduce to a low level of risk that material instances of non-compliance would occur and not be detected.

Effect
Failure to maintain internal controls sufficient to limit the risk of not detecting material errors of non-compliance can lead to the expenditure of funds on unallowed activities or costs as well as failing to ensure provision of matching funds at required levels. Material noncompliance can, in turn lead to the improper use of federal and other program funds.

Cause
Management did not understand the role played by internal control in ensuring compliance with federal program requirements.

Recommendation
It is recommended that management establish appropriate oversight policies and procedures to ensure that all compliance requirements are properly monitored.

Views of responsible officials and planned corrective action
Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. Written policies and procedures governing the monitoring of compliance with federal program requirements for each program will be established and followed.

Due date: Immediately

THE KENNEDY CENTER OF LOUISIANA, INC.

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially	Planned Corrective Action/Partially Corrective Action Taken
Section I – Financial Statement Findings				
11-01	12/31/2010	Inconsistent application of account classifications within each company.	Yes	Subsequent to the year end 2012, the Organization provided consistent application of the chart of accounts for all programs.
11-02	12/31/2010	The books of account did not accurately reflect the accounting for grant awards made to the organization. Initial grant awards were not recorded as well as, the unobligated balances.	Yes	Subsequent to year end, management employed an accountant with the requisite knowledge in recording grants and contracts.
11-03	12/31/2010	Internal controls over disbursement require that when invoices are paid, the corresponding invoices should be cancelled when payment is made.	No	Documents presented for payment do not include evidence of proper approval and cancellation to prevent reuse.
11-04	12/31/2010	Equipment records are inadequate. The equipment records did not contain all the elements required by OMB Circular A-110, Sub-Part C (f) (1). In particular, the records did not reflect the unit costs and the acquisition date of the equipment, nor did the records reflect the source or award number.	Yes	Management has not developed a fixed asset ledger that includes all elements of maintaining equipment records. However, this requirement is not applicable as none of the fixed assets were acquired with Federal funds.
11-05	12/31/2010	The Office of Juvenile Justice Program 2009 Mentoring Grant, the Department of Education's Projects with Industry, and the Department of Health and Human Service's Street Outreach Services grants required matching requirements as part of the grant awards.	Yes	The accounting records indicate that the Organization is meeting matching requirements, however, the allocations are not made in the programs.