

Louisiana Troopers Charities, Inc.
Baton Rouge, Louisiana
December 31, 2012

Table of Contents

Independent Auditor's Report	Page 3
Financial Statements	
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis	Page 5
Statement of Revenues, Expenses and Change in Net Assets- Modified Cash Basis	Page 6
Notes to Financial Statements	Page 7
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 <i>Government Auditing Standards</i>	Page 10
Schedule of Findings and Questioned Costs	Page 12

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June 5, 2013

Independent Auditor's Report

Board of Directors
Louisiana Troopers Charities, Inc.
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Louisiana Troopers Charities, Inc. (a non-profit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2012, and the related statement of revenues, expenses and change in net assets – modified cash basis 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 the modified cash basis of accounting described in Note 1B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Louisiana Troopers Charities, Inc. as of December 31, 2012, and its revenues, expenses and change in net assets for the year then ended, in accordance with the basis of accounting as described in Note 1B.

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013, on our consideration of Louisiana Troopers Charities, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Louisiana Troopers Charities, Inc.'s internal control over financial reporting and compliance.

Yours truly,

Hawthorn, Weymouth & Connel, LLP

Louisiana Troopers Charities, Inc.
Statement of Assets, Liabilities and Net Assets –
Modified Cash Basis
December 31, 2012

A s s e t s

Assets	
Cash	\$ 71,953
Fixed assets, net	<u>29,896</u>
Total assets	<u>\$101,849</u>

Liabilities and Net Assets

Liabilities	
Due to related party	<u>\$ 5,000</u>
Total liabilities	5,000
Net Assets - Unrestricted	<u>96,849</u>
Total liabilities and net assets	<u>\$101,849</u>

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

Louisiana Troopers Charities, Inc.
Statement of Revenues, Expenses and Change in Net Assets -
Modified Cash Basis
Year Ended December 31, 2012

Unrestricted	
Revenues	
Grant income	\$ 44,941
Contributions and other income	66,097
Fundraising income	40,438
Interest income	<u>5</u>
Total revenues	<u>151,481</u>
Expenses	
Program Expenses	
Sudden Impact project	1,005
Trooper assistance	27,225
Donations and Grant-a-Wish	<u>31,507</u>
Total program expenses	<u>59,737</u>
Fundraising Expenses	<u>9,248</u>
General and Administrative Expenses	
Accounting fees	1,075
Administration fees	4,500
Bank charges	944
Contract labor	16,650
Depreciation	18,855
Miscellaneous	<u>1,600</u>
Total general and administrative expenses	<u>43,624</u>
Total expenses	<u>112,609</u>
Change in Net Assets	38,872
Net Assets, beginning of year	<u>57,977</u>
Net Assets, end of year	<u>\$ 96,849</u>

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

Louisiana Troopers Charities, Inc.
Notes to Financial Statements
December 31, 2012

Note 1-Summary of Significant Accounting Policies

A. Nature of Organization

The purpose of Louisiana Troopers Charities, Inc. (“the Organization”) is to assist in educational and community oriented programs that promote or improve the standing of the Louisiana State Police in the communities of this State. This is accomplished through a variety of educational and community service venues.

The Organization also provides charitable relief assistance during times of crisis or disaster to any member of the Louisiana State Police. This is achieved in the form of direct assistance or monetary grants/awards.

B. Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting differs from generally accepted accounting principles in that revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

C. Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include those net assets whose use by the Organization is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors (a) to later periods of time or other specific dates, or (b) to specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Organization’s use of the assets. At December 31, 2012, the Organization had no temporarily or permanently restricted net assets.

D. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

E. Fixed Assets

Fixed assets are stated at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation of fixed assets is based upon the estimated useful lives of the related assets utilizing the straight-line method. The Organization’s policy is to capitalize expenditures for those items in excess of \$500. The estimated useful life of equipment is 3 years.

Louisiana Troopers Charities, Inc.
Notes to Financial Statements
December 31, 2012

Note 1-Summary of Significant Accounting Policies (Continued)

F. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and change in net assets (modified cash basis) as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the year of receipt.

G. Income Taxes

Louisiana Troopers Charities, Inc. has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization is not classified as a private foundation. Accordingly, no provision for income taxes on related income has been included in the financial statements.

In management's judgment, the Organization does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of the Organization's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after December 31, 2009.

The Organization may be subject to interest and penalties assessed by various taxing authorities. These amounts are classified as other expenses when they occur.

Note 2-Fixed Assets

A summary of fixed assets at December 31, 2012 is as follows:

Equipment	\$56,566
Less: accumulated depreciation	<u>(26,670)</u>
	<u>\$29,896</u>

Depreciation expense for the year ended December 31, 2012 was \$18,855.

Louisiana Troopers Charities, Inc.
Notes to Financial Statements
December 31, 2012

Note 3-Related Party Transactions

Louisiana Troopers Charities, Inc. is a separate legal organization managed by Louisiana State Troopers Association, Inc. ("LSTA"). This organization is not included in LSTA's accounts as there is no economic interest between the parties.

The Organization paid administrative fees of \$4,500 to LSTA in 2012 for the use of equipment and office space under a contractual agreement.

Due to related party represents the amount owed to LSTA to repay funds that LSTA advanced to the Organization.

Note 4-Contingencies - Grant Program

Louisiana Troopers Charities, Inc. participates in grant programs which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received and the collectability of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed on by the grantor agency and the Organization.

Note 5-Concentration

Approximately thirty percent (30%) of total revenue received by Louisiana Troopers Charities, Inc. in 2012 was from the Governor's Safe and Drug Free Schools Grant.

Note 6-Subsequent Events

Management of the Organization evaluated all subsequent events through June 5, 2013, the date the financial statements were available to be issued. As a result, management noted no subsequent events which required adjustment to, or disclosure in, these financial statements.

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June 5, 2013

**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***

Board of Directors
Louisiana Troopers Charities, Inc.
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana Troopers Charities, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2012, and the related statement of revenues, expenses and change in net assets – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2013.

Internal Control Over Financial Reporting

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

Our 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, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as Finding 2012-01 in the accompanying schedule of findings and questioned costs to be a material weakness.

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. During our audit, we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Troopers Charities, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Louisiana Troopers Charities, Inc.'s Response to Finding

Louisiana Troopers Charities, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Louisiana Troopers Charities, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Yours truly,

A handwritten signature in cursive script that reads "Hawthorn, Waymouth & Carroll, LLP". The signature is written in dark ink and is positioned below the "Yours truly," text.

Louisiana Troopers Charities, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2012

Findings-Financial Statement Audit

2012-01 Bank Activity

Criteria

Management of the Organization is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition

An affiliate troop opened a bank account using the employer identification number of the Organization and used the account for funds it raised for the benefit of the Organization. This account and transactions were not recorded on the Organization's books from January through December 2012.

Cause

The revenue and expenses associated with this account were not recorded for 2012.

Effect

Total revenue and expenses of the Organization were misstated for 2012 as a result of the omission of the troop affiliate account activity for the year.

Recommendation

The Organization should obtain monthly bank statements and a summary of receipts and disbursements from the respective troop affiliates for all accounts that have been established with Louisiana Troopers Charities, Inc.'s tax ID number. All deposits and checks should be recorded on the Organization's books and bank reconciliations should be prepared on a monthly basis.

Management's Response

The 2012 activity has now been recorded in the Organization's accounting system. The Organization will implement procedures that provide for recording cash receipts and disbursements for all accounts.