

HEARTS OF HOPE

FINANCIAL REPORT

Years Ended December 31, 2023 and 2022

HEARTS OF HOPE

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Board of Directors
Hearts of Hope
Lafayette, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hearts of Hope (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts of Hope as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and by the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hearts of Hope and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Hearts of Hope as of December 31, 2022 were audited by other auditors whose report dated September 13, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair representation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hearts of Hope's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to maintain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Heart of Hope's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Consider whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heart of Hope's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of prior year findings, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of prior year findings is fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2022 schedule of findings and questioned costs was subjected to the auditing procedures applied in the 2022 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2024, on our consideration of Hearts of Hope'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 effectiveness of Hearts of Hope's 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 Hearts of Hope's internal control over financial reporting and compliance.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Lafayette, Louisiana

June 20, 2024

HEARTS OF HOPE
STATEMENT OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 240,467	\$ 201,092
Grants receivable	165,103	213,604
Other receivables	2,811	7,800
Prepaid expenses	11,943	17,674
Total current assets	420,324	440,170
 PROPERTY AND EQUIPMENT	 447,262	 467,875
 OTHER ASSETS		
Deposits	2,000	-
Right of use assets, net of amortization of \$5,843	19,475	7,857
Land held for sale	36,500	-
Beneficial interest in assets held by others	75,277	68,741
Total other assets	133,252	76,598
 TOTAL ASSETS	 \$ 1,000,838	 \$ 984,643
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 17,743	\$ 13,012
Accrued payroll	26,606	24,289
Accrued compensated absences	25,289	12,252
Deferred revenue	1,218	1,218
Notes payable	6,867	3,623
Financing lease liability - current portion	5,732	6,721
Total current liabilities	83,455	61,115
 LONG TERM LIABILITIES		
Financing lease liability, net of current portion	13,992	1,136
Total long-term liabilities	13,992	1,136
 TOTAL LIABILITIES	 97,447	 62,251
 NET ASSETS		
Without donor restrictions:		
Designated for endowment	75,277	68,741
Undesignated	828,114	853,651
TOTAL NET ASSETS	903,391	922,392
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,000,838	 \$ 984,643

The Accompanying Notes are an Integral Part of These Financial Statements.

HEARTS OF HOPE
STATEMENT OF ACTIVITIES
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT		
Grants	\$ 921,181	\$ 1,090,035
Donations	71,114	31,539
Fundraising	17,002	5,540
In-kind donations	36,500	-
Service fees	<u>116,800</u>	<u>68,900</u>
Total public support	<u>1,162,597</u>	<u>1,196,014</u>
REVENUES		
Investment return, net	8,557	(5,986)
Miscellaneous	<u>75,011</u>	<u>200</u>
Total revenues	83,568	(5,786)
TOTAL PUBLIC SUPPORT, REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,246,165</u>	<u>1,190,228</u>
EXPENSES		
Program activities		
Children's advocacy center	495,031	376,005
Sexual abuse response center	346,346	375,260
Sexual assault nurse examiners	<u>133,201</u>	<u>206,164</u>
Total program activities expenses and losses	974,579	957,429
Supporting services		
Administrative expenses	270,733	268,498
Fundraising expenses	<u>19,854</u>	<u>16,410</u>
Total supporting services expenses and losses	290,587	284,908
Total expenses	<u>1,265,166</u>	<u>1,242,337</u>
Change in net assets	<u>(19,001)</u>	<u>(52,109)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>922,392</u>	<u>974,501</u>
NET ASSETS AT END OF YEAR	<u>\$ 903,391</u>	<u>\$ 922,392</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

HEARTS OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program Services			Supporting Services			Total Expenses	
	CAC Program Activities	SARC Program Activities	SANE Program Activities	Total Program Services	Management and General	Fundraising		Total Supporting Services
Compensation and Related Expenses								
Salaries	\$ 308,540	\$ 232,561	\$ 67,734	\$ 608,835	\$ 66,279	\$ 14,568	\$ 80,847	\$ 689,682
Employee Benefits -								
Payroll Taxes	21,489	16,157	5,120	42,766	7,042	1,042	8,084	50,850
Group Insurance	36,537	29,758	-	66,295	19,858	-	19,858	86,153
Retirement	-	-	-	-	1,901	-	1,901	1,901
Total Payroll and Related Expenses	366,566	278,476	72,854	717,896	95,080	15,610	110,690	828,586
Annual Project/Fundraising	-	-	-	-	200	4,244	4,444	4,444
Cleaning	4,121	3,016	-	7,137	1,973	-	1,973	9,110
Client Services	-	-	45,431	45,431	-	-	-	45,431
Contract Labor	36,264	19,903	-	56,167	4,081	-	4,081	60,248
Depreciation and Amortization	-	-	-	-	26,456	-	26,456	26,456
Dues and fees	6,579	12	-	6,591	4,602	-	4,602	11,193
Education and Professional								
Development	4,320	2,394	-	6,714	638	-	638	7,352
Insurance	2,036	1,740	-	3,776	23,562	-	23,562	27,338
Interest	601	533	-	1,134	1,150	-	1,150	2,284
Legal and Accounting	13,644	11,545	-	25,189	63,204	-	63,204	88,393
Marketing	299	2,700	-	2,999	4,006	-	4,006	7,005
Meetings and Receptions	-	-	-	-	2,720	-	2,720	2,720
Miscellaneous Expense	1,869	1,658	-	3,527	1,321	-	1,321	4,848
Office Expenses/Supplies	9,296	7,307	86	16,689	9,214	-	9,214	25,903
Rent	20,150	-	-	20,150	-	-	-	20,150
Building Maintenance	7,698	2,858	-	10,556	7,100	-	7,100	17,656
Taxes and Licenses	-	-	-	-	309	-	309	309
Technology	4,803	3,135	14,830	22,768	18,264	-	18,264	41,032
Telephone	2,751	2,440	-	5,191	550	-	550	5,741
Travel	9,948	5,006	-	14,954	3,790	-	3,790	18,744
Utilities	4,086	3,624	-	7,710	2,513	-	2,513	10,223
TOTAL EXPENSES	\$ 495,031	\$ 346,346	\$ 133,201	\$ 974,579	\$ 270,733	\$ 19,854	\$ 290,587	\$ 1,265,166

The Accompanying Notes are an Integral Part of These Financial Statements

HEARTS OF HOPE
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services			Supporting Services			Total Expenses	
	CAC Program Activities	SARC Program Activities	SANE Program Activities	Total Program Services	Management and General	Fundraising		Total Supporting Services
Compensation and Related Expenses								
Salaries	\$ 195,054	\$ 227,563	\$ 97,527	\$ 520,144	\$ 117,032	\$ 13,004	\$ 130,036	\$ 650,180
Employee Benefits -								
Payroll Taxes	15,350	17,908	7,675	40,933	9,210	1,022	10,232	51,165
Group Insurance	23,727	27,682	11,864	63,273	14,236	1,582	15,818	79,091
Retirement	1,394	440	-	1,834	-	-	-	1,834
Total Payroll and Related Expenses	235,525	273,593	117,066	626,184	140,478	15,608	156,086	782,270
Annual Project/Fundraising	-	-	-	-	-	802	802	802
Cleaning	-	-	-	-	11,100	-	11,100	11,100
Client Services	-	-	43,120	43,120	-	-	-	43,120
Contract Labor	55,722	12,232	-	67,954	-	-	-	67,954
Depreciation and Amortization	5,801	6,769	2,901	15,471	3,868	-	3,868	19,339
Dues and Fees	898	1,048	449	2,395	600	-	600	2,995
Education and Professional								
Development	-	-	-	-	12,088	-	12,088	12,088
Insurance	5,158	5,158	-	10,316	12,628	-	12,628	22,944
Interest	-	-	-	-	1,098	-	1,098	1,098
Legal and Accounting	17,768	20,729	8,884	47,381	11,845	-	11,845	59,226
Marketing	11,214	11,596	-	22,810	9,234	-	9,234	32,044
Meetings and Receptions	360	-	-	360	3,685	-	3,685	4,045
Miscellaneous Expense	-	-	-	-	836	-	836	836
Office Expenses/Supplies	16,279	18,992	8,139	43,410	10,853	-	10,853	54,263
Rape Kits and Supplies	-	-	22,313	22,313	-	-	-	22,313
Rent/Building Maintenance	-	-	-	-	19,706	-	19,706	19,706
Taxes and Licenses	-	-	-	-	1,413	-	1,413	1,413
Technology	20,698	17,464	-	38,162	24,680	-	24,680	62,842
Telephone	1,661	1,938	831	4,430	1,107	-	1,107	5,537
Travel	2,172	2,533	1,086	5,791	1,446	-	1,446	7,237
Utilities	2,749	3,208	1,375	7,332	1,833	-	1,833	9,165
TOTAL EXPENSES	\$ 376,005	\$ 375,260	\$ 206,164	\$ 957,429	\$ 268,498	\$ 16,410	\$ 284,908	\$ 1,242,337

The Accompanying Notes are an Integral Part of These Financial Statements

HEARTS OF HOPE
STATEMENT OF CASH FLOWS
For the years ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (19,001)	\$ (52,109)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	26,456	19,339
Earnings from Endowment Funds	(3,890)	(1,291)
Unrealized (Gain)/Loss on Endowment Funds	(4,667)	9,270
Changes in Current Assets and Liabilities		
Grants Receivables	48,501	(59,476)
Other Receivables	4,989	(7,800)
Prepaid Expenses	5,731	4,879
Deposits	(2,000)	-
Land Held for Sale	(36,500)	-
Accounts Payable	4,731	5,341
Accrued Payroll	2,317	1,031
Accrued Compensated Absences	13,037	(895)
Net Cash Provided (Used) by Operating Activities	39,704	(81,711)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-	(23,462)
Net Cash Used by Investing Activities	-	(23,462)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Note Payable	3,244	800
Principal Payments on Finance Lease	(3,573)	-
Net Cash Provided (Used) by Financing Activities	(329)	800
Net Increase (Decrease) in Cash	39,375	(104,373)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	201,092	305,465
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 240,467	\$ 201,092

The Accompanying Notes are an Integral Part of These Financial Statements.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hearts of Hope (the Organization) is a non-profit organization and is the only sexual trauma center in Acadiana. The Organization oversees all sexual assault reporting and case management for children and adult victims in the community. These services included providing help and healing for survivors of sexual trauma and violent crimes, and assistance in lessening the trauma experienced by child victims when abuse allegations are investigated. When a patient makes a disclosure of sexual assault, Hearts of Hope collects and documents skillful forensic evidence with compassionate care, then assists throughout court proceedings. Staff and volunteers maintain a 24-hour crisis line and provide escort services to the area hospitals.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis for accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets without donor restrictions are resources available to support operations and not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions – Net assets with donor restrictions are resources that are subject to donor-imposed or grantor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

Public Support and Revenue

Contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

All donor restricted contributions, if any, are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Support and Revenue (Continued)

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service.

Revenue and Revenue Recognition

Contributions are recognized when the donor makes a commitment to give and are considered to available for unrestricted use unless specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. Contributions whose restrictions have been met in the same reporting period are included as support in net assets without donor restrictions.

Donated Facilities, Materials, and Services

The Organization is housed in a building located at 911 General Mouton owned by the Lafayette Consolidated Government. The Organization has use of the building at no cost and there is nothing in the financial statements to reflect the cost. No fair market value has been determined.

The Organization receives a significant donated services from unpaid volunteers who assist in program services during the year. These donated services are not reflected in the statement of activities because no objective basis is available to measure the value of such services.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost for assets purchased and at fair value at the date of donation for contributed assets. Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years.

Lease Commitments

In February 2016, the FASB issued ASU 842, Leases. This accounting standard requires leases to recognize right-of-use assets and lease liabilities related to lease arrangements longer than twelve (12) months on the statements of financial position as well as additional disclosures. The standard was effective for the Organization for the year beginning January 1, 2022.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease Commitments (Continued)

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in the Organization's balance sheet. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in the Organization's balance sheet.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. Lease payments for leases with a term of twelve (12) months or less are expensed on a straight-line bases over the term of the lease asset or liability recognized.

Compensated Absences

Sick time is accumulated as a single compensated absence. Eight hours are earned per month for all full-time employees (employees working 30 hours or more per week). Any unused accumulated balance can be carried forward to the following year. However, sick leave is forfeited upon leaving employment; accordingly, no liability has been recorded in the accompanying financial statements for sick time.

Vacation time is earned monthly based on length of service for all full-time employees. Any unused accumulated balance is forfeited at the end of each year. However, earned vacation time is paid-out upon termination of employment; accordingly, a liability has been recorded in the accompanying financial statements for vacation time. Accrued compensated absences as of December 31, 2023 and 2022 amounted to \$25,289 and \$12,252, respectively.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were \$7,005 and \$32,044 for December 31, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities as either program or supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than private foundation, therefore has no provision for federal income taxes. However, should the Organization engage in activities unrelated to its exempt purpose, taxable income could result. The Organization had no material unrelated business income for the fiscal year under audit.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for the tax periods in progress.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of FASB ASU 2016-13 and Related Standards

At the beginning of 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did not change how the allowance for credit loss is determined.

Fair Value Consideration

Fair value is used to measure financial and certain nonfinancial assets and liabilities measured or disclosed at fair value on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Consideration (Continued)

The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs – Level 1) and the lowest priority to a reporting entity’s internal assumptions based on the best information available when external market data is limited or unavailable (unobservable inputs – Level 3).

Fair value is used to measure financial and certain nonfinancial assets and liabilities measured or disclosed at fair value on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy established and prioritized fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to inputs based on market data from independent sources (observable inputs – Level 1) and the lowest priority to a reporting entity’s internal assumptions based on the best information available when external market data is limited or unavailable (unobservable inputs – Level 3).

The fair value option allows organizations to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item’s fair value in subsequent reporting periods must be recognized in current earnings. The fair value option was not elected for the measurements of any eligible assets or liabilities.

The estimated fair values of each organization’s short-term financial instruments (primarily cash and cash equivalents, receivables, accounts payable, accrued expenses, short-term debt and lines of credit) approximate their individual carrying amounts due to the relatively short period between their origination and expected realization or payment. Based on market rates for similar loans, the fair value of long-term debt approximates their carrying value.

NOTE 2 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures because of donor-imposed regulations and board designations.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 240,467	\$ 201,092
Grants Receivable	165,103	213,604
Other Receivable	<u>2,811</u>	<u>7,800</u>
Total Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 408,381</u>	<u>\$ 422,496</u>

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best described based upon quoted market prices.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The Organization utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis. The Organization has no assets or liabilities recorded at their fair value on a nonrecurring basis.

The Organization uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs are 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 are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2023, all of the Organization investments are Level 1.

Investments at December 31, 2023 are summarized as follows:

	Costs	Fair Value	Unrealized Appreciation
Money Market	\$ 2,446	\$ 2,680	\$ 234
Fixed Income	22,018	24,120	2,102
Equity	24,464	26,800	2,336
Total Investments	<u>\$ 48,928</u>	<u>\$ 53,500</u>	<u>\$ 4,672</u>

NOTE 4 ENDOWMENT FUND

In 2003, the Organization transferred \$10,000 to the Community Foundation of Acadiana, Inc. to open an endowment fund for the benefit of the Children’s Advocacy Center and Sexual Abuse Response Center Fund (“CAC/SARC Fund”). The Foundation has limited variance power over the fund. In the event that a donor restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the needs of the community, the Foundation may modify the restriction through the exercise of the variance power. Distribution from the Fund can be made solely for the support of the purposes of the Organization once the investment has reached \$1,000,000, as stipulated by the Organization’s Board of Directors. Effective September 14, 2021, the Organization’s Board of Directors removed the \$1,000,000 stipulation. The Board designated \$0 for endowment purposes for the years ended December 31, 2023 and 2022.

The fund is invested in 50% equity funds, 45% fixed income funds, and 5% in money market funds. The assets of the fund shall be held and invested by the Foundation. There were no distributions from the fund during the years ended December 31, 2023 and 2022.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 ENDOWMENT FUND (CONTINUED)

The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The endowment investment is reflected in the financial statements as a Beneficial Interest in Assets Held by Others and Net Assets without Donor Restrictions – Designated for Endowment. Changes in the endowment fund net assets were as follows:

	<u>2023</u>	<u>2022</u>
Board-Designated Endowment Net Assets, Beginning of Year	\$ 68,741	\$ 75,507
Investment Return, Net	<u>6,436</u>	<u>(6,766)</u>
Board-Designated Endowment Net Assets, End of Year	<u>\$ 75,277</u>	<u>\$ 68,741</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Building and Improvements	\$ 571,266	\$ 571,266
Office Equipment, Furniture, and Fixtures	<u>53,616</u>	<u>53,616</u>
Total Property and Equipment	624,882	624,882
Less: Accumulated Depreciation	<u>(177,620)</u>	<u>(157,007)</u>
Property and Equipment, Net	<u>\$ 447,262</u>	<u>\$ 467,875</u>

Total depreciation expense for the years ended December 31, 2023 and 2022 were \$20,613 and \$19,339, respectively.

NOTE 6 PROPERTY HELD FOR SALE

Property held for sale consist of the following:

	<u>2023</u>	<u>2022</u>
Land – Lafayette, LA	<u>\$ 36,500</u>	<u>\$ -</u>

In December 2023, the Organization received a land donation. The land was listed for sale in March 2024.

NOTE 7 NOTE PAYABLE

On May 8, 2023, the Organization entered into an interest-bearing note agreement in the amount of \$21,452 to finance insurance premiums. The note will require ten monthly installments of \$2,287 bearing an interest rate of 14.15%.

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 NOTE PAYABLE (CONTINUED)

On April 28, 2022, the Organization entered into an interest-bearing note agreement in the amount of \$17,337 to finance insurance premiums. The note will require 10 monthly installments of \$1,811 bearing an interest rate of 9.65%.

At December 31, 2023 and 2022, the amount outstanding on the note payable was \$6,867 and \$3,623, respectively. Interest expense amounted to \$2,284 and \$1,098 for the years ended December 31, 2023 and 2022, respectively.

NOTE 8 FINANCE LEASE - LESSEE

The Organization has a financing lease for two copiers. The following summarizes the line items in the balance sheet which includes amounts for the finance lease as of December 31, 2023:

Lease Cost

Finance Lease Cost:	
Amortization of Right-of-Use Assets	\$ 5,843
Interest on Lease Liabilities	1,135
Short Term Lease Cost	<u>20,150</u>
Total Lease Cost:	<u>\$ 27,128</u>

Other Information

Cash Paid for Amounts Included in Lease Liabilities:	
Operating Cash Flows – Finance Leases	\$(1,135)
Financing Cash Flows – Finance Leases	\$(5,453)
Weighted-Average Remaining Lease Term – Finance Leases	3.25 years
Weighted-Average Discount Rate – Finance Leases	5.00%

The approximate future minimum lease payments under finance leases as of December 31, 2023 are as follows:

	Finance Leases
2024	<u>\$ 6,588</u>
2025	6,588
2026	6,588
2027	<u>1,647</u>
Total Undiscounted Lease Obligations:	21,411
Less Imputed Interest	<u>(1,687)</u>
Present Value of Lease Obligations	<u>\$ 19,724</u>

HEARTS OF HOPE

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 RETIREMENT PLAN

The Organization began offering its employees the opportunity to participate in a “Simple IRA” retirement plan. All eligible employees who work full time or over 30 hours per week may contribute from one percent (1%) of their gross pay upward. The Organization matches their contribution at two percent (2%) of gross pay. Contributions made for the years ended December 31, 2023 and 2022 totaled \$1,901 and \$1,834, respectively.

NOTE 10 LITIGATION AND OTHER MATTERS

There is no litigation pending against the Organization. The Organization’s management believes that any potential lawsuits would be adequately covered by insurance or resolved without any material impact upon the Organization’s financial statements.

NOTE 11 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023, the Organization had no uninsured cash balances.

The majority of the Organization revenues and grants receivable are from sub grants of U.S. Department of Justice Grants through the Louisiana Commission on Law Enforcement, Louisiana Alliance of Children’s Advocacy Center, and Louisiana Foundation Against Sexual Assault, Inc. A change in this funding could substantially affect the operations of the Organization.

NOTE 12 NONCOMPLIANCE WITH GRANTOR RESTRICTIONS

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 13 COMPENSATION, BENEFITS AND OTHER PAYMENTS TO DIRECTOR

A detail of compensation, benefits, and other payments made to the Executive Director, Kim Young, for the years ended December 31, 2023 and 2022 are as follows:

<u>Purpose</u>	<u>2023</u>	<u>2022</u>
Salary	\$ 96,997	\$ 91,694
Benefits – Insurance	12,431	13,725
Benefits – Retirement	2,600	1,834
Travel	<u>279</u>	<u>\$ -</u>
Total	<u>\$ 112,307</u>	<u>\$ 107,253</u>

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 20, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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

To the Board of Directors
Hearts of Hope
Lafayette, 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 Hearts of Hope (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hearts of Hope's internal control over financial reporting (internal control) as a basis for designing 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 Hearts of Hope's internal control. Accordingly, we do not express an opinion on the effectiveness of Hearts of Hope's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify one deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hearts of Hope'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 financial statement. 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*.

Hearts of Hope’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Hearts of Hope’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Hearts of Hope’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document, therefore its distribution is not limited.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Lafayette, Louisiana

June 20, 2024

HEARTS OF HOPE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

We have audited the financial statements of Hearts of Hope as of and for the year ended December 31, 2023, and have issued our report thereon dated June 20, 2024. We conducted our audit in accordance with generally accepted auditing standards of the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. Our audit of the financial statements of December 31, 2023 resulted in an unmodified opinion.

Section I. Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements.

Internal Control

Significant Deficiencies Yes No
Material Weaknesses Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II. Financial Statement Findings

2023-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: 2019

Condition: Hearts of Hope does not have adequate segregation of accounting functions.

Criteria: The Organization should have a control policy according to which no person should be given responsibility for more than one related function:

Cause: Due to the size of the Organization, there are a small number of available employees.

Effect: The Organization has employees that are performing more than one related function.

Recommendation: The Organization should establish and monitor mitigating controls over functions that are not completely segregated.

Management's Corrective Action Plan: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. Management will continue to monitor controls over accounting functions that are not completely segregated.

Section III. Federal Award Findings and Questioned Costs

This section is not applicable for the fiscal year ending December 31, 2023.

HEARTS OF HOPE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

FINDINGS – FINANCIAL STATEMENT AUDIT:

A. Internal Control Findings –

2022-001 - Inadequate Segregation of Accounting Functions

Finding: The Organization did not have adequate segregation of accounting functions.

Views of Responsible Officials and Planned Correction Action: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties. Management will continue to monitor mitigating controls over accounting functions that are not completely segregated.

Current Status: Not resolved.

B. Compliance Finding –

2022-002 - Failure to File Audited Financial Statements Timely

Finding: The Organization’s annual audited financial statements were not filed timely for the fiscal year ended December 31, 2022.

Views of Responsible Officials and Planned Corrective Action: The Organization’s management will take the appropriate actions to ensure that their annual financial statement audit is completed and submitted within the prescribed deadline.

Current Status: Resolved.

FINDINGS – MAJOR FEDERAL AWARD PROGRAM AWARDS

A. Internal Control Findings –

2022-003 – Distribution of Allocable Costs

Finding: The Organization had certain occupancy costs that were not being distributed in a reasonable proportion to the benefits received.

Views of Responsible Officials and Planned Corrective Action: The Organization agrees with this finding and will establish procedures to determine an appropriate basis to allocate shared costs proportionate to the benefits received by the programs. The Organization implemented an allocation based on the square footage of the facility and the number of clients being served by each program. The basis of allocation was put into place and utilized beginning of August 2022.

Current Status: Resolved.

HEARTS OF HOPE

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

B. Compliance Finding –

2022-004 - Distribution of Allocable Costs

Finding: The Organization had certain occupancy costs that were not being distributed in a reasonable proportion to the benefits received.

Views of Responsible Officials and Planned Corrective Action: The Organization agrees with this finding and will establish procedures to determine an appropriate basis to allocate shared costs proportionate to the benefits received by the programs. The Organization implemented an allocation based on the square footage of the facility and the number of clients being served by each program. The basis of allocation was put into place and utilized beginning of August 2022.

Current Status: Resolved.



OTHER LOCATIONS:

Eunice Morgan City Abbeville

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of
Hearts of Hope
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2023 through December 31, 2023. Heart of Hope's management is responsible for those C/C areas identified in the SAUPs.

Hearts of Hope has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

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

Written policies and procedures were obtained and address the functions noted above.

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.

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).

Written policies and procedures were obtained and address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Written policies and procedures were obtained and address the functions noted above.

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

Written policies and procedures were obtained and address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Written policies and procedures were obtained and address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained and address the functions noted above.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures were obtained and address the functions noted above.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Written policies and procedures were obtained and address the functions noted above.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes included monthly budget-to-actual comparisons for the major funds.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Hearts of Hope is a not-for-profit entity. This section does not apply.

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

There were no findings related to the financial statement audit in the prior year.

Bank Reconciliations

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Obtained a listing of the entity's bank accounts for the fiscal period from management along with management's representation that the listing was complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

The bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The bank reconciliations included evidence of review by a member of management/board member who does not handle cash, post ledgers, or issue checks.

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

None of the reconciliations selected were noted as having outstanding items greater than 12 months of the statement closing date.

Collections (excluding electronic funds transfers)

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained a listing of deposits sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared along with management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

Obtained a listing of collection locations for each deposit site selected for the fiscal period along with management's representation that the listing is complete.

- a) Employees responsible for cash collections do not share cash drawers/registers.

Employees responsible for cash collections do not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

Employees responsible for collecting cash are not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employees responsible for collecting cash are not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Employees responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

The entity had a bond or insurance policy for theft covering all employees who have access to cash in effect during the fiscal period.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Observed cash receipts noting that they are sequentially pre-numbered as applicable; noting that no receipts are pre -numbered in AUP-7.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Traced supporting documentation to the deposit slip noting no exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Traced the deposit slip totals to the actual deposit per the bank statement noting no exceptions.

- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Observed that (1) deposit was made (2) business days after the receipt at the collection location. Traced back to deposit slips and bank statements noting no exceptions.

- e) Trace the actual deposit per the bank statement to the general ledger.

Traced the actual deposits per the bank statement to the general ledger noting no exceptions.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained a listing of locations that process payments for the fiscal period, and management provided representation that the listing is complete. Selected all locations that process payments as there were less than 5.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Obtained written policies and procedures and observed that job duties are properly segregated regarding the functions noted above.

- b) At least two employees are involved in processing and approving payments to vendors.

Obtained written policies and procedures and observed that job duties are properly segregated regarding the functions noted above.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Obtained written policies and procedures and observed that job duties are properly segregated regarding the functions noted above.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Obtained written policies and procedures and observed that job duties are properly segregated regarding the functions noted above.

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exceptions noted.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

The Entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) was obtained along with management's representation that the population is complete.

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

Observed that the disbursements matched the related original itemized invoice, and that supporting documentation indicates that deliverables on the invoice were received by the Hearts of Hope.

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Observed that the disbursement documentation included evidence of segregation of duties tested.

- 11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions noted.

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

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.

Obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period including the card numbers and the names of the persons who maintained possession of the cards along with management's representation that the listing is complete.

13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), 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.]

Observed that there was evidence that the monthly statement and supporting documentation was reviewed and approved, in writing by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Observed that no finance charges and late fees were assessed on the selected statements.

14. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Observed that all transactions tested were supported by an original itemized receipt that identifies precisely what was purchased and written documentation of the business/public purpose. There were no meal charges tested.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained a listing of all travel and travel-related expense reimbursements during the fiscal period along with management's representation that the listing or general ledger is complete.

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Per diem rates used by Hearts of Hope ties to GSA rates with no exceptions noted.

- b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

The selected expenses were reimbursed using actual costs. The reimbursements were supported by original itemized receipts that identified precisely what was purchased. No exceptions were noted.

- c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Observed that each reimbursement is supported by documentation of the business/public purpose and other documentation required by written policy. No exceptions were noted.

- d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement. No exceptions were noted.

Contracts

16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Obtained from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period along with management's representation that the listing was complete.

- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No contracts were noted.

- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

No contracts were noted.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).

No contracts were noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

No contracts were noted.

Payroll and Personnel

17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Obtained a listing of employees and officials employed during the fiscal period along with management's representation that the listing is complete. Randomly selected 5 employees and agreed paid salaries to authorized salaries/pay rates in the personnel files.

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

Observed that all selected employees documented their attendance and leave for the pay period.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

Observed that supervisors approved the attendance and leave of the selected employees.

- c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Observed that leave accrued or taken during the pay period was reflected in the Entity's cumulative leave records.

- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Observed the rate paid to the employees agreed to the authorized salary/pay rate found within the personnel file.

19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Obtained a listing of those employees that received termination payments during the fiscal period along with management's representation that the list is complete. Two employees were selected, and the related documentation was obtained and agreed. No exceptions were found as a result of this procedure.

20. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Management provided representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Ethics

21. Using the 5 randomly selected employees/officials from procedure #17 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Observed documentation demonstrating that the five employees selected for testing did complete the required ethics training.

- b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

No changes were made to the Entity's ethics policy during the fiscal period.

22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Kimberly Young is appointed as the ethics designee.

Debt Service

23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued.

No bonds were noted during the year.

24. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No bonds were noted during the year.

Fraud Notice

25. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

There were no misappropriations of public funds and assets during the fiscal period as per management's representation.

26. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Observed that the Entity has the required notice posted on its premises and website.

Information Technology Disaster Recovery/Business Continuity

27. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**

- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Client is clouded based, so this testing is not required.

- b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Client is clouded based, so this testing is not required.

- c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Client is clouded based, so this testing is not required.

28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #19. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Terminated employees has been removed from the network. No exceptions noted.

Sexual Harassment

29. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Per LLA “non-profits” are not required to follow Sexual Harassment procedures unless their grant specifically requires it. Per Kimberly Young with Hearts of Hope, sexual harassment training is not required; however, it is noted that Hearts of Hope does make employees sign and acknowledge receipt of the Sexual Harassment policies set in place. This section is not applicable for testing.

30. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

This section is not applicable for testing. It is noted that Hearts of Hope has a sexual harassment policy set in place.

31. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

This section is not applicable for testing.

- b) Number of sexual harassment complaints received by the agency;

This section is not applicable for testing.

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

This section is not applicable for testing.

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

This section is not applicable for testing.

- e) Amount of time it took to resolve each complaint.

This section is not applicable for testing.

We were engaged by Hearts of Hope to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of Hearts of Hope and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 20, 2024



HEARTS OF HOPE

CENTER FOR SEXUAL TRAUMA

We listen. We believe. We protect.

6/26/2024

Statewide Agreed Upon Procedures

Hearts of Hope Management Response

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that: Obtained a listing of the entity's bank accounts for the fiscal period from management along with management's representation that the listing was complete.

a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);

The bank reconciliations did not include evidence that they were prepared within 2 months of the related statement closing date.

Management's Response: Management will ensure that reconciliations are dated when they are completed.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

a) Observe that receipts are sequentially pre-numbered.

Observed cash receipts noting that they are sequentially pre-numbered as applicable; noting that no receipts are pre -numbered in AUP-7.

Management's Response: Hearts of Hope utilizes a remote deposit banking system for deposits under \$50,000. Management will contact the banking institution to see if a numbering system can be implemented. Hearts of Hope will continue to utilize the current remote deposit banking system, attaching all documentation for each deposit, and will ensure that all deposits are reviewed by management.

Kimberly Young, Executive Director