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The Kennedy Center Of Louisiana, Inc.
Financial and Compliance Audit
For the Year Ended December 31, 2013

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Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of The Kennedy Center of Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses – direct federal programs, functional expenses – federal pass through programs, state contracts, and administrative and general expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As more fully described in Note M to the financial statements, The Kennedy Center of Louisiana, Inc. has a net imbalance in the inter-fund receivables and payables in the amount of $53,675. In my opinion accounting principles generally accepted in the United States of America require that inter-fund receivables net to zero. Additionally, payroll liabilities have been overstated in the financial statements by approximately $36,419, as more fully described in Note N.

Qualified Opinion

In my opinion, except for the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Kennedy Center of Louisiana, Inc. as of December 31, 2013, and the related statement of activities, cash flow, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 to 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, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* I have also issued my report dated September 13, 2014 on my consideration of The Kennedy Center of Louisiana, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Kennedy Center of Louisiana, Inc.'s internal control over financial reporting and compliance.

Certified Public Accountant

Shreveport, Louisiana
September 13, 2014

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Financial Position
December 31, 2013

ASSETS		
Current Assets		
Cash and cash equivalents	$	19,617
Contracts Receivable		50,466
Inter-fund Receivable		294,880
Accounts Receivable-employee		15,500
Total Current Assets		380,463
Fixed Assets		
Vehicles (net)		52,536
Total Fixed Assets		52,536
Other Assets		
Security Deposits Asset		500
Total Other Assets		500
TOTAL ASSETS		**433,499**
LIABILITIES & NET ASSETS		
Liabilities		
Current Liabilities		
Accounts Payable		53,406
Line of Credit		20,086
Note Payable-Current		7,857
Payroll Liabilities		108,237
Accrued Payroll Expenses		5,567
Inter-fund Payables		259,634
Deferred Revenue		56,537
Total Current Liabilities		511,324
Long Term Liabilities		
Note Payable		45,897
Total Long Term Liabilities		45,897
Total Liabilities		557,221
Net Assets		
Unrestricted Net Assets		(123,722)
Total Net Assets		(123,722)
TOTAL LIABILITIES & NET ASETS	$	**433,499**

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

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Activities
For the year ended
December 31, 2013

Increase in Net Assets		
Revenue and Support		
Direct Federal Grants	$	527,981
Indirect Federal Grants		572,118
State Contracts		286,525
Other agency grants		43,290
Contributions		99
Program Service Revenue		125,355
Total Revenue and Support		1,555,368
Decrease in Net Assets		
Expenses		
Program Services		
Direct Federal Grants		527,975
Indirect Federal Passed Through Grants		586,751
State Contracts		255,753
Other Agency Grants		1,200
Total Program Services		1,371,679
Support Services		272,108
Total Expenses		1,643,787
Decrease in Net Assets		(88,419)
Net Assets Jan 1, 2013		(122,587)
Prior Period Audit Adjustments		87,284
Net Assets restated		(35,303)
Net Assets (Deficit) Dec. 31, 2013	$	(123,722)

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses – Direct Federal Programs
For the Year Ended
December 31, 2013

Direct Federal Grants

	SAFEHAVEN	STREET OUTREACH	Re-Integration of Ex-Offenders (Face Forward)	Second Chance Re-entry	Total
Expense					
Advertising Expenses	$ -	$ -	$ -	$ 550	$ 550
Bank Service Charges	575	0	0	105	680
Contributions	0	0	0	0	0
Contract Services	12,321	5,000	4,000	10,744	32,065
Education, Conferences, and Training	1,522	0	20,000	384	21,906
Facilities and Equipment	50,063	0	2,040	1,061	53,164
Insurance	2,123	0	1,000	484	3,607
Interest Expense - General	0	0	0	0	0
Interest	79	0	0	1	80
Personnel Cost	104,535	0	89,814	117,660	312,009
Insurance - Health	3,396	0	11,615	6,823	21,834
Professional Services	0	0	0	0	0
Supplies	4,135	0	166	6,686	10,987
Telephone and Utilities	24,279	0	879	794	25,952
Travel	16,637	0	1,848	13,530	32,015
Other Expenses	7,235	0	884	5,007	13,126
Depreciation Expense	0	0	0	0	0
Total Expense	$ 226,900	$ 5,000	$ 132,246	$ 163,829	$ 527,975

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses – Federal Pass-Through Programs, State Contracts, and Administrative and General Expense For the Year Ended December 31, 2013

	Indirect Federal Grants		
	(21ST CENTURY) Cohort 8	(21ST CENTURY) Cohort 7.5	Total 21ST CENTURY
Expense			
Advertising Expenses	$ -	$ 301	$ 301.00
Bank Service Charges	140	596	736
Contributions	0	0	0
Contract Services	58,478	144,072	202,550
Education, Conferences, and Training	5,448	32,920	
Facilities and Equipment	983	615	1,598
Insurance	219	2,422	2,641
Interest Expense - General	0	0	0
Interest	0	0	0
Personnel Cost	66,370	97,199	163,569
Insurance - Health	0	0	0
Professional Services	14,825	8,351	23,176
Supplies	5,261	70,734	75,995
Telephone and Utilities	687	2,453	3,140
Travel	8,965	53,548	62,513
Other Expenses	780	11,384	12,164
Depreciation Expense	0	0	0
Total Expense	$ 162,156	$ 424,595	$ 586,751

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses – Federal Pass-Through Programs, State Contracts, and Administrative and General Expense
For the Year Ended
December 31, 2013

State Contracts

	Mentor	Reintegration	LWCC	Total
Expense				
Advertising Expenses	$ -	$ -	$ 1,117	$ 1,117
Bank Service Charges	35	-	146	181
Contributions	-	-	-	-
Contract Services	2,400	7,050	13,967	23,417
Education, Conferences, and Training	-	-	268	268
Facilities and Equipment	975	-	1,348	2,323
Insurance	-	-	536	536
Interest Expense - General	-	-	-	-
Interest	-	-	-	-
Personnel Cost	15,264	39,107	159,735	214,106
Insurance - Health	-	-	312	312
Professional Services	-	-	-	-
Supplies	-	-	1,708	1,708
Telephone and Utilities	287	-	2,652	2,939
Travel	2,020	367	4,819	7,206
Other Expenses	199	6	1,435	1,640
Depreciation Expense	0	0	0	0
Total Expense	$ 21,180	$ 46,530	$ 188,044	$ 255,753

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses – Other Agency Grants and Other Activities and Supporting Services
For the Year Ended
December 31, 2013

	Other Agency Grants	Other Activities and Supporting Services				
	Home Builders	FFT	Mt Bethany	WAW 1	Admin	Total
Expense						
Advertising Expenses	$ -	$ -	$ 2,955	$ 2,747	$ 216	$ 5,918
Bank Service Charges	-	-	70	484	302	856
Contributions	-	-	428	-	200	628
Contract Services	1,200	128	1,759	11,562	3,512	16,961
Education, Conferences, and Training	-	6,649	2,715	2,424	1,276	13,064
Facilities and Equipment	-	23	2,678	24,811	2,759	30,271
Insurance	-	-	329	4,697	3,869	8,895
Interest Expense - General	-	-	-	-	1,049	1,049
Interest	-	-	-	2,394	427	2,821
Personnel Cost	-	1,268	83,259	-	-	84,527
Insurance - Health	-	-	2,913	(280)	6,390	9,023
Professional Services	-	-	-	-	-	-
Supplies	-	-	10,705	18,045	1,163	29,913
Telephone and Utilities	-	-	6,473	11,746	3,084	21,303
Travel	-	-	74	3,944	9,134	13,152
Other Expenses	-	300	7,261	14,592	5,476	27,629
Depreciation Expense	$ -	$ -	$ -	$ -	$ 6,098	$ 6,098
Total Expense	$ 1,200	$ 8,369	$ 121,619	$ 97,166	$ 44,955	$ 272,108

The accompanying notes are an integral part of the financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Cash Flows
For the year ended
December 31, 2013

OPERATING ACTIVITIES		
Decrease in net assets	$	(88,419)
Adjustments to reconcile Net Income		
to net cash provided by operations:		
Depreciation Expense		7,527
Grant Receivable		331,266
Accounts Receivable		31,786
Inter-fund Receivables		(55,092)
Accounts Payable		16,076
Inter-fund Payables		46,446
Capital One - Line of Credit		20,086
Payroll Liabilities		1,770
Accrued Payroll Expenses		(17,580)
Donations		40
Deferred Revenue		(382,579)
Prior year audit adjustments		87,284
Net cash provided by Operating Activities		(1,389)
INVESTING ACTIVITIES		
Vehicles		(51,889)
Net cash provided by Investing Activities		(51,889)
FINANCING ACTIVITIES		
Notes Payable		53,747
Notes Payable payments		(3,383)
Net cash provided by Financing Activities		50,364
Net cash decrease for period		(2,914)
Cash at beginning of period		22,531
Cash at end of period	$	19,617

The accompanying notes are an integral part of the financial statements

NOTE A – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Nature of Activities

The primary funding sources of TKCL are:

Direct Federal Programs:

- **Second Chance Act Prisoner Reentry Initiative** – assist with the transition of individuals from prison or jail to the community.
- **United States Department of Health and Human Services**
  Transitional Living Program (Safehaven) - targets young people between the ages of 16-21 who are considered homeless or in a situation where family reunification is neither possible nor appropriate. The services offered are designed to help young people make a successful transition to self-sufficient living.
- **Face Forward**

Indirect Federal Programs

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

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

Basis of Accounting

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

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

Allowance for Doubtful Accounts - The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the receivables in light of historical experience, the nature and type of account, adverse situations that may affect the payer's ability to repay and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. Receivables deemed uncollectible are charged off against the allowance when management believes the un-collectability is confirmed. At December 31, 2013, all receivables were deemed collectible by management.

Property and Equipment – Fixed assets purchased by TKCL are recorded at cost. TKCL capitalizes all expenditures for fixed assets in excess of $1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets, which consist primarily of transportation vehicles depreciated over five years. The Organization reported depreciation expense for the year ended December 31, 2013 in the amount of $6,098 and accumulated depreciation of $7,527, respectively.

Cash Equivalents - Cash and cash equivalents include bank deposits and cash on hand. There are no requirements by funding agencies to hold cash in separate accounts.

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

Net Assets - TKCL classifies net assets into three categories: unrestricted, including board designated, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions. At December 31, 2013, TKCL had no temporarily or permanently restricted net assets.

Income Taxes - Under provisions of Section 501(c) (3) of the Internal Revenue Code and the applicable income tax regulations of the State of Louisiana, TKCL is exempt from income taxes. There were no unrelated business activities in 2012. Accordingly, no tax expense was incurred for the year ended December 31, 2013.

TKCL has adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this standard had no impact on the organization's financial statements. TKCL does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of December 31, 2013, as a result of the adoption of FASB ASC 740-10-25. For the years ended December 31, 2012 and December 31, 2011, there were no interest or penalties recorded or included in its financial statements. TKCL is no longer subject to income tax examination by U.S. Federal, state, or local tax authorities for tax years prior to December 31, 2010.

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

Economic Dependency - Approximately 34% of the Agency's funding is direct federal funds and 37% is indirect federal funds, passed-through the State of Louisiana's, Department Of Education. Additionally, TKCL receives 18% of its funding from the State of Louisiana with the remaining funds coming from various non-governmental funding sources.

Advertising Cost- Advertising costs are charged to programs in the period in which the advertisement is placed. The Organization had $7,887 in advertising costs charged to the various programs administered by the Organization during 2013.

NOTE B - Grants and Contracts Receivable

As of December 31, 2013, there were no grants receivable and contracts receivable was composed of:

Louisiana Department of Education	
21st Century Learning Centers	$43,284
Louisiana Workforce Commission	7,182
	$50,466

Notes to the Financial Statements
December 31, 2013
(Continued)

NOTE C – Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash at financial institutions. Demand deposits, as reflected in the banks' records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances in the cash accounts in excess of FDIC insurance limits are insured by the Dodd-Frank Deposit Insurance Provision. At December 31, 2013, deposits did not exceed FDIC insurable limits. The Organization believes it is not exposed to any significant credit risks on its cash balances.

NOTE D – Line of Credit

The Organization has a $20,000 bank line of credit. Amounts borrowed under this agreement bear interest at an interest rate of 4%. At December 31, 2013, the full $20,000 was outstanding on this line. The line is secured by cash held in a savings account at the same institution. At December 31, 2013, funds used to secure the line of credit in that account totaled $20,006.

NOTE E – Long Term Liabilities

The Organization purchased a vehicle in the amount of $51,889. The total amount financed was in the amount of $54,796, including sales tax and fees in the amount of $2,907. The terms of the note include payments in the amount of $910 for a period of 72 months at an interest rate of 5.99%. The note commenced on October 22, 2013 and terminates on October 22, 2018 and is secured by the vehicle. The maturities are summarized as follows:

2014	$	7,857
2015		8,365
2016		8,907
2017		9,484
2018		10,098
Subsequent years		9,043
Total	$	53,754

NOTE F - Deferred Revenue

The Organization records grant awards as grants receivable and deferred revenue when the grant is made. When the Organization expends grant funding, revenue is recorded with an off-set to deferred revenue to record the earned grant award. Deferred revenue is composed of the following as of December 31, 2013:

Grant/Program	CFDA No	Deferred Revenue
Juvenile Mentoring	16.726	$27,259
Face Forward	17.270	30,671
Street Outreach Program	93.557	7,886
Total		$65,816

NOTE G - Operating Leases
The Kennedy Center of Louisiana, Inc. entered into a commercial lease for its office space located at 809 College St Shreveport, Louisiana for a term of three years beginning July 1, 2011. Rent for this lease is $1,500 monthly, payable on the first of the month. The lease was renewed on November 1, 2013 for a three year period. The terms of the lease included payments of $2,400 for the first eight months of the lease and $2,525 for the remaining 28 months of the lease ending October 31, 2016.

The Kennedy Center also entered into an agreement for space rental for other program activities at 404 Hearne Avenue, Shreveport, LA. The agreement was a month to month agreement with no extending terms. The Organization rented the space at a cost of $900 per month for an eight month period and $1,000 per month for the remaining four months. In addition, the Organization also entered into a lease at 230 Prospect St, beginning January 1, 2013 and ending January 31, 2014 at a monthly lease cost of $700 per month. Finally, the Organization lease space at 3162 Boulevard Avenue, Shreveport, LA at a lease cost of $500 per month. The lease terminated on December 31, 2013.

Rent expense for the year was $75,018. At year end the minimum lease commitments are as follows for the years ending December 31,

2014	$36,375
2015	$30,050
2016	$25,250

NOTE H – Commitments and Contingencies

As of December 31, 2013 there were no outstanding commitments or contingencies except for lease commitments.

NOTE I – Summary of Grants

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

				Award Period	
Grant	**Agency**	**Award No**	**Award Amount**	**From**	**To**
OJJDP FY 09	U.S. Department of Justice	2010-CY-BX-0071	298,930.00	10/01/2012	09/30/2013
21st Century Learning	LA EDU	690677	570,000.00	06/01/2012	05/31/2013
21st Century Learning	LA EDU	690677	570,000.00	06/01/2013	05/31/2014
Home Builders	HBI	None	75,000	04/01/2012	03/31/2013
Transitional Living Program(Safehaven)	HHS	90CX6880-01-01	203,878.00	09/30/2012	09/29/2013
Youth Services Mentor Program	LA of Public Safety & Corrections	711568	474,950.00	01/01/2012	12/31/2014
Youth Services Mentor Program	LA Department of Public Safety & Corrections	716943	370,514.00	08/01/2012	07/31/2015

NOTE J – Subsequent Events

The Organization has evaluated subsequent events through, September 13, 2014 the date which financial statements were available to be issued.

NOTE K – Prior Period Audit Adjustment

Prior period adjustments were made to recognize adjusting entries for the prior year which had not been recorded. The amount of the adjustments totaled $87,284 to bring net assets to balances reported in previous periods.

NOTE L – Related Party Transactions

There were no significant related party transactions during the year ended December 31, 2013, there was an outstanding receivable due from the Executive Director, remaining from transactions involving transaction for the purchase and operation of a vehicle.

NOTE M – Supplemental Cash Flow Information

TKCL paid $2,900 in interest expense in the year ended December 31, 2013.

NOTE N – Inter-fund Receivables and Payables

The inter-fund receivables are higher than the inter-fund payables by $53,657. According to generally accepted accounting principles, the inter-fund receivables and payables should net to zero as of December 31, 2013. As a result, the financial statements do not conform to accounting principles generally accepted in the United States of America since a material difference exist in the inter-fund accounts and the actual amount is not known at this time.

NOTE O – Payroll Liabilities

Federal employment tax liabilities reported in the balance sheet reflect a material difference than federal employment taxes due at December 31, 2013. Federal employment taxes due at December 31, 2013 approximate $58,360 per the Internal Revenue Service. Federal employment taxes reflected in TKCL's books of account total $94,778. A material difference exist in the amount of $36,419.

NOTE P – Net Asset Deficit

The Organization has a significant deficit in unrestricted net assets. Management has determined that the deficit can be reduced and ultimately eliminated by reduction of costs in its fee for service programs which are discretionary funding sources. Management also indicated that several fund raising events will be held as another source of reducing the deficit.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-through Entity Identifying Number*	*Federal Expenditures($)*
United States Department of Justice Direct Programs			
Second Chance Act Prisoner Reentry Initiative	16.812		$ 163,829
Department of Labor Direct Programs			
Reintegration of Ex-Offenders	17.270		$ 132,246
Department of Education Pass-Through Programs			
Passed-through Louisiana Department of Education			
Louisiana Department of Education, Twenty-First Century Community Learning Centers	84.287	690677	$ 586,751
Department of Health and Human Services Direct Programs			
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		5,000
Transitional Living for Homeless Youth	93.550		$ 226,900
Total Expenditures of Federal Awards			$ 1,114,726

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUB-RECIPIENTS

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

NOTE C – DEFERRED REVENUES

See Note F in the notes to the financial statements.

Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Kennedy Center of Louisiana, Inc. ("TKCL") as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued my report thereon dated September 13, 2014.

Internal Control Over Financial Reporting

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

My 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. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-06 and 2013-07 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the schedule of findings and questioned costs as items 2013-01, 2013-02, and 2013-04 to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether TKCL's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and questioned costs as Items 2013-03, 2013-04 through 2013-05.

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

Purpose Of Report

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

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

Certified Public Accountant

Shreveport, Louisiana
September 13, 2014

Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

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

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

Report on Compliance for Each Major Federal Program

I have audited The Kennedy Center of Louisiana, Inc.'s ("TKCL") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2013. TKCL's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibilities

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

Auditor's Responsibilities

My responsibility is to express an opinion on TKCL's compliance for each of the Organization's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

1240 Milam Street, Shreveport, LA 71101 – Ph: (318) 675-1945 – Fax: (318) 675-1947

Basis for Qualified Opinion on Twenty-First Century Learning Centers

As described in the accompanying schedule of findings and questioned costs, TKCL did not comply with the requirements regarding CDFA 84.287 Twenty-First Century Learning Centers as described in finding number 2013-01 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in my opinion, for TKCL's compliance.

Opinion on Major Program

In my opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph TKCL complied in all material respect, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-02, 2013-03, 2013-04, 2013-05, 2013-06 and 2013-07. My opinion on the major federal program is not modified with respect to these matters.

TKCL's response to the noncompliance findings identified in my audit are described in the accompanying corrective action plan. TKCL's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the responses.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing my audit of compliance, I considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Organization's internal control over compliance.

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

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

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

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

Certified Public Accountant

Shreveport, Louisiana
September 13, 2014
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THE KENNEDY CENTER OF LOUISIANA, INC.

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

Financial Statements

Type of auditor's report issued - Qualified

Internal Control over financial reporting

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

Federal Awards

Internal control over major program:

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

Major program identified	
21st Century Learning Center	CFDA 84.287

Dollar threshold used to distinguish between type A and type B programs $300,000

Auditee qualified as a high risk auditee

THE KENNEDY CENTER OF LOUISIANA, INC.

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

Item 2013-01-Internal Control over Compliance

Criteria or specific requirement

Internal control over compliance require that payments are properly classified, documentation agrees with payments, proper authorization of payments is implemented, and that disbursements agree with budgetary requirements.

Condition

A test of compliance over the major federal pass-through program 21st Century was performed. A sample of 120 allowable expenditures was selected from a population of disbursements other than payroll, payroll related items, and journal entries of 775 items.

The following deviations were identified from the testing:

1. 5 items did not agree to budget specifications for bus drivers. The documentation reflected hours expended instead of the number of trips.
2. 6 items did not have evidence of authorized approval for payment.
3. 2 items were classified as field trips instead of bus drivers.

Effect
The deviations could indicate that internal controls over compliance are not adhered to in all cases and that those controls can become ineffective.

Context
The testing indicates that there were 13 deviations contained in the sample. Although not statistical in nature, the deviations result in approximately 10.8% of the population containing errors over the controls over compliance or stated alternatively, I would expect approximately 84 deviations in the total population.

Cause
The procedure for reporting driving efforts and field trips differ as instructed by the Department of Education. Field trips were to be reported on an hourly basis and normal trips for student pick-up were to be report based on the number of trips. The time and effort reports did not fully described the type of effort performed. Further, the time and effort reports were not formatted to identify field trips and normal student pick-ups.

Recommendation
The time and effort reports should be formatted to identify field trips and normal student pick-ups to prevent confusion over computing driver payments and reporting, as well as, complying with instructions from the contracting agency.

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

Corrective Action Plan: We will take action to format the time and effort reports to enhance the ability of the drivers to record field trips and regular trips.

THE KENNEDY CENTER OF LOUISIANA, INC.

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

Item 2013-02-Adequate Maintenance of Grant Records

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

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

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

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

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

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

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

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

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

Item 2013-03-Matching Requirements

Criteria or specific requirement
The Department of Health and Human Service's Transitional Living Grant, CDFA 93.550 required matching requirements as part of the grant awards.

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

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

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

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

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

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

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

Anticipated Completion Date: Immediately

Item 2013-04-Delinquent Audit Reporting

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

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

Questioned Costs
None

Effect
The Organization is not in compliance with State requirements.

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

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

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

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

Item 2013-05-Excessive Grant Advances

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

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

Condition
The accounting records reflect that the Organization made drawdowns of advances in excess of expenses or anticipated expenses that exceeded a minimum time elapsing between the advance and the actual expenditure. In particular, it was noted that the Re-Integration of Ex-Offenders (Face Forward) program, CDFA 17.270, advanced the Organization $20,000, which was used to establish a line of credit and not expended for the intended purpose.

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

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

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

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

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

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

Due date: Immediately

Item 2013-06 – Utilization of Federal Funds

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

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

Condition
At December 31, 2013, the TKCL records reflect numerous instances where funds from one program had been used to pay expenses of other programs.

Effect
The practice of utilizing inter-fund transferred opens the organization to situations where funds cannot be replaced in a timely manner. In this case, inter-fund transfers have not been recorded or maintained in a manner that is in accordance with generally accepted accounting principles.

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

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

Recommendation

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

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

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

Due date: Immediately

2013-07-Monitoring of Financial Transactions

Criteria
A strong system of internal controls requires that management monitor the financial transactions, including revenue and expenses, and make decisions based on financial information produced by the organization.

Condition
I noted numerous material accounting errors in the current year unaudited financial statements which went undetected. Basic monthly checks and balances were not being performed which are normally found in an adequate accounting and reporting system including appropriate review and approval of the monthly journal entries and financial statements.

Effect
The monthly financial statement information being presented to management and the Board of Directors was materially incorrect.

Context
Numerous adjusting entries from the current and prior year audit were required.

Cause
Qualified accounting staffing was not maintained for a major part of the fiscal year. Normal review of the monthly entries was not present.

Recommendation

I noted that the organization has hired accounting personnel with adequate accounting skills and knowledge. However, I recommend that all staff receive additional continuing education to increase the requisite accounting skills.

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

Corrective Action Plan: We concur with this recommendation.

Due date: Immediately

THE KENNEDY CENTER OF LOUISIANA, INC.

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

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially	Planned Corrective Action/Partially Corrective Action Taken
Section I – Financial Statement Findings				
12-01	12/31/2012	Inconsistent application of account classifications within each company.	Yes	The Organization has combined the books of account in order to provide consistent account application.
12-02	12/31/2012	The books of account did not accurately reflect the accounting for grant awards made to the organization. Initial grant awards were not recorded as well as, the unobligated balances.	Partially	The new accountant is in the process of correcting the outstanding findings including the recording of grant awards.
12-03	12/31/2012	Internal controls over disbursement require that when invoices are paid, the corresponding invoices should be cancelled when payment is made.	Yes	Test of compliance and internal controls indicate that invoice documents are cancelled to prevent reuse.
12-04	12/31/2012	The monthly bank accounts were not reconciled to the book balances on a timely bases	Yes	Currently, bank accounts are being reconciled on a monthly bases.
12-05	12/31/2012	There were numerous transactions between related parties.	Yes	An examination of the accounting records indicated that the Organization had ceased the practice of related party transactions with the exception of providing insurance payments on the vehicle used by the Executive Director.
12-06	12/31/2012	The matching requirements were met but not properly allocated to the records of the program accounts.	No	The Organization has not provided for the proper allocation of matching requirements to the program accounts.
12-07	12/31/2012	The audited financial statements have not been submitted to the Louisiana Legislative Auditor within six months of the close of the Organization's fiscal year.	No	The Organization has not submitted its financial statement audit within the time limits established by LRS 24:513. The reason given was that the 2012 audit was not completed until 2014 and the 2013 audit could not commence until the 2014 audit was completed.

12-08	12/31/2012	Advances were made in excess of disbursements and not expended within a reasonable time.	No	Although not as prevalent as in the prior period, the Organization has continued to request advances in excess of program expenditures.
12-09	12/31/2012	Inter-fund receivables and payables are not in balance.	Partially	An examination of the financial records indicates that the Organization has partially addressed the imbalance between the inter-fund receivables and payables.
12-10	12/31/2012	Controls place were not sufficient to reduce to a low level of risk that material instances of non-compliance would occur and not be detected.	Partially	Based on the examination, I believe that Management has increased its awareness of the controls as to reduce the risk of material instances of non-compliance would occur and not be detected.