

**The Kennedy Center
Of Louisiana, Inc.
Financial and Compliance Audit
For the Year Ended
December 31, 2011**

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

Release Date APR 02 2014

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Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

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

Independent Auditor's Report

I have audited the accompanying statement of financial position of The Kennedy Center of Louisiana, Inc., (a not for profit organization), as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Kennedy Center of Louisiana, Inc.'s management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of programs administered by The Kennedy Center of Louisiana, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 18, 2013 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 the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of The Kennedy Center of Louisiana, Inc. taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

December 18, 2013

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Financial Position

December 31, 2011

ASSETS

Current Assets

Checking/Savings/On Hand	\$ 59,492
Grants Receivable	200,418
Accounts Receivable	28,568
Due from Other Programs	32,694
	<hr/>
Total Current Assets	321,172

Fixed Assets

Vehicle	5500
Less: Accumulated Depreciation	(764)
Total Fixed Assets	4,736

TOTAL ASSETS 325,908

LIABILITIES & NET ASSETS

Liabilities

Current Liabilities

Accounts Payable	17,234
Payroll Liabilities	21,949
Due to Other Programs	56,165
Deferred Revenue	250,625
Accrued Payroll Expenses	18,985
Total Other Current Liabilities	364,958

Total Liabilities 364,958

Net Assets (Deficit)

Unrestricted Net Assets (Deficit)	(39,741)
Temporarily Restricted Net Assets	691
Total Net Assets (Deficit)	(39,050)

TOTAL LIABILITIES & NET ASSETS (Deficit) \$ 325,908

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, 2011

	<u>Direct Federal Programs</u>	<u>Indirect Federal Programs</u>	<u>Non- Federal Programs</u>	<u>Admin & General</u>	<u>Totals Memo Only</u>
Support and Revenue					
Grants	\$ 665,212	\$ -	\$ 0	\$ -	\$ 665,212
Contracts-State	-	610,576	-	-	610,576
Program Income	-	-	21,999	15,911	37,910
Contributions	-	-	-	7,221	7,221
Total Support and Revenue	<u>665,212</u>	<u>610,576</u>	<u>21,999</u>	<u>23,132</u>	<u>1,320,919</u>
Expenses					
Program Services	665,212	553,743	21,989	-	1,240,944
Support Services	-	-	-	100,531	100,531
Total Expenses	<u>665,212</u>	<u>553,743</u>	<u>21,989</u>	<u>100,531</u>	<u>1,341,475</u>
Increase (Decrease) in Net Assets	-	56,833	10	(77,399)	(20,556)
Net Assets (Deficit), January 1, 2011	<u>691</u>	<u>16,989</u>	<u>-</u>	<u>(36,174)</u>	<u>(18,494)</u>
Net Assets (Deficit), December 31, 2011	<u>\$ 691</u>	<u>\$ 73,822</u>	<u>\$ 10</u>	<u>\$ (113,573)</u>	<u>\$ (39,050)</u>

The accompanying notes are an integral part of these financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses-Direct Federal Programs
**For the year ended
 December 31, 2011**

	<u>Projects with Industry</u>	<u>OJJDP Juvenile Mentoring</u>	<u>OJJDP Adult Mentoring</u>	<u>Street Outreach Services</u>	<u>Total Direct Federal Programs</u>
Advertising	\$ -	\$ -	\$ 563	\$ -	\$ 563
Bank Service Charges	105	-	-	175	280
Consultation and Contract Services	15,500	6,075	9,825	7,610	39,010
Contract Labor	-	-	-	-	-
Professional & Legal	-	-	-	-	-
Space Costs & Occupancy	-	154	-	2,440	2,594
Printing and Copying	74	2,001	95	228	2,398
Supplies	2,260	12,011	1,498	866	16,635
Food & Nutrition Expenses	-	-	-	1,071	1,071
Telephone, Telecommunications	4,194	-	-	3,355	7,549
Miscellaneous Expenses	637	4,392	452	173	5,654
Insurance	71	-	-	-	71
Background Checks	120	160	280	-	560
Salaries and Wages	152,715	140,425	128,812	73,897	495,849
Payroll Taxes	12,721	11,759	10,787	6,347	41,614
Fringe Benefits	15,745	2,436	-	5,206	23,387
Office and Postage	105	43	-	-	148
Field Trips	-	955	-	-	955
Fuel & Auto	-	-	-	-	-
Travel	105	15,526	1,003	-	16,634
Professional Development	5,513	-	-	942	6,455
Conferences, Training, & Workshops	-	476	1,320	-	1,796
Mentor Appreciation Expense	-	1,149	840	-	1,989
	<u>\$ 209,865</u>	<u>\$ 197,562</u>	<u>\$ 155,475</u>	<u>\$ 102,310</u>	<u>\$ 665,212</u>

The accompanying notes are an integral part of these financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Statement of Functional Expenses-Indirect Federal Programs and Non-Federal Programs
For the year ended
December 31, 2011

	Indirect			Total Indirect Federal Programs, Non-Federal, and Admin and General
	Federal Programs	Non-Federal Programs	Admin and General	
	21st Century	Home Builders	Admin and General	
Advertising	\$ 3,437	\$ -	\$ 709	\$ 4,146
Bank Service Charges	813	-	178	991
Consultation and Contract Services	7,660	6,400	27,113	41,173
Contract Labor	99,221	-	-	99,221
Professional & Legal	46,623	-	1,559	48,182
Space Costs & Occupancy	257	6,607	27,273	34,137
Printing and Copying	7,672	-	1,696	9,368
Supplies	53,485	-	5,368	58,853
Food & Nutrition Expenses	18,498	-	370	18,868
Telephone, Telecommunications	664	225	6,923	7,812
Miscellaneous Expenses	-	-	3,770	3,770
Insurance	798	-	5,158	5,956
Background Checks	920	-	-	920
Salaries and Wages	217,474	-	1,000	218,474
Payroll Taxes	22,345	-	-	22,345
Fringe Benefits	4,264	-	-	4,264
Office and Postage	2,485	3,329	7,166	12,980
Field Trips	26,446	-	-	26,446
Fuel & Auto	12,079	1,078	4,126	17,283
Travel	13,159	1,270	2,562	16,991
Professional Development	6,051	-	-	6,051
Conferences, Training, & Workshops	9,392	2,930	-	12,322
Mentor Appreciation Expense	-	150	-	150
Depreciation Expense	-	-	764	764
Disallowed Costs	-	-	4,796.00	4,796
	\$ <u>553,743</u>	\$ <u>21,989</u>	\$ <u>100,531</u>	\$ <u>676,263</u>

The accompanying notes are an integral part of these financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

**Statement of Cash Flows
For the year ended
December 31, 2011**

OPERATING ACTIVITIES

Net Income	\$ (20,556)
Adjustments to reconcile Net Income to net cash provided by operations:	
Depreciation Expense	764
Increase in Accounts Receivable	(7,525)
Decrease in Grants Receivable	651,634
Increase in Accounts Payable	17,029
Decrease in Due to Other Programs	(67,105)
Decrease Payroll Liabilities	(8,332)
Decrease in Due to Other Programs	(67,105)
Decrease in Deferred Revenue	(555,987)
Increase in Accrued Payroll Expense	2,752
Net cash provided by Operating Activities	<u>62,931</u>

INVESTING ACTIVITIES

Purchase of Fixed Assets	<u>(5,500)</u>
Net cash used by Investing Activities	<u>(5,500)</u>

Net cash increase for period 57,431

Cash at beginning of period	<u>2,061</u>
Cash at end of period	<u>\$ 59,492</u>

The accompanying notes are an integral part of these financial statements

THE KENNEDY CENTER OF LOUISIANA, INC.

Notes to the Financial Statements

December 31, 2011

NOTE A – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

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

Nature of Activities

The primary funding sources of TKCL are:

Direct Federal Programs

• **United States Department of Justice**

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

Second Chance Act Prisoner Reentry Initiative – assist with the transition of individuals from prison or jail, to the community in a safe and successful manner.

• **United States Department of Education**

Projects with Industry - The purpose of this program is to create and expand job and career opportunities for individuals with disabilities in the competitive labor market.

• **United States Department of Health and Human Services**

Street Outreach Services - the purpose of providing street-based services to runaway, homeless and street youth who have been subjected to, or are at risk of being subjected to, sexual abuse, prostitution, or sexual exploitation.

Indirect Federal Programs

- **Louisiana Department of Education, Twenty-First Century Community Learning Centers** – The purpose is to 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.

Support and Revenue

Grants revenues are recognized as follows:

For entitlement grants in which unexpended funds are subjected to future reprogramming, the entire amount of the grant award is recognized over the life of the grant. In cases where such grants span the Organization's fiscal year end, revenues are recognized in an amount equal to expenditures in the initial portion of the grant, and any excess is *recognized in the period in which the grant terminates.*

In cases of cost reimbursement grants where unexpended funds revert to the grantor at the conclusion of the grant period, grant revenues are recognized in an amount equal to expenditures, up to the maximum amount of the grant awarded.

In the case of unrestricted grants, the entire amount of the grant award is recognized as revenue upon receipt.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958 (formerly SFAS No. 117), Financial Statements of Not-for-Profit Organizations. The Organization has elected to present a classified statement of financial position, under ASC 958; the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

Net Assets are included in one of the following three classes of net assets, depending on the presence and type of donor-imposed restrictions.

- *Unrestricted Net Assets* - Net Assets not subject to donor-imposed restrictions.

THE KENNEDY CENTER OF LOUISIANA, INC.

Notes to the Financial Statements

December 31, 2011

- *Temporarily restricted Net Assets* - Net assets subject to donor-imposed restrictions that may be met either by an action and/or through the passage of time. As of December 31, 2011 Net Assets included \$691 of temporarily restricted net assets.
- *Permanently restricted Net Assets* - Net Assets subject to donor-imposed restrictions that will not expire through the passage of time and/or an action. As of December 31, 2011, Net Assets included no permanently restricted net assets.

Uses of 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.

Economic Dependency

Approximately 50% of the Agency's funding is direct federal funds and 46% is indirect federal funds, passed-through the State of Louisiana's, Department Of Education. The Organization does not receive funding from any other sources except for immaterial in-kind contributions.

Income Tax Status

The Organization is a not-for-profit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509 (a) (1) of the Code is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Organization has adopted the provisions of FASB ASC 740-10-25. Under FASB 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this standard has no impact on the Organization's financial statements. The Organization does not

THE KENNEDY CENTER OF LOUISIANA, INC.

Notes to the Financial Statements

December 31, 2011

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, 2011 as a result of the adoption of FASB ASC 740-10-25. For the years ended December 31, 2010 and December 31, 2009 there were no interest or penalties recorded or included in its financial statements. The Organization is no longer subject to income tax examination by U.S. federal, state, or local tax authorities for tax years prior to 2009.

NOTE B - Grants Receivable

As of December 31, 2011, grants receivable was composed of:

Second Chance Act Prisoner Reentry Initiative	70,015
Juvenile Mentoring Program	71,903
Street Outreach of Shreveport	58,500
Total	<u>\$200,418</u>

NOTE C - Accounts Receivable

As of December 31, 2011, accounts receivable was composed of:

Louisiana Department of Education	
21 st Century Learning Centers	\$28,568
Total	<u>\$28,568</u>

NOTE D – Inter-Program Receivables and Payables

Program	Due From (Receivable)	Due To (Payable)
Projects With Industry	\$32,694	
21 st Century Learning Centers		\$28,568
General Fund		27,567
Total	<u>\$32,694</u>	<u>\$56,165</u>

THE KENNEDY CENTER OF LOUISIANA, INC.
Notes to the Financial Statements
December 31, 2011

NOTE E- 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, 2011:

Grant/Program	CFDA No	Deferred Revenue
Projects with Industry	84.184	\$9,658
Prisoner Reentry Initiative	16.812	126,968
Juvenile Mentoring	16.726	59,005
Street Outreach of Shreveport	93.557	54,994
Total		<u>\$250,625</u>

NOTE - F - Operating Leases

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

Prior to the current lease commitment, TKCL leased office space located at 1726 Elizabeth St., Shreveport, Louisiana. This lease terminated on June 30, 2011.

Rent expense for the year was \$18,826. At year end the minimum commitment for the next two years is

Year Ending Dec. 31	
2012	21,000
2013	10,500

THE KENNEDY CENTER OF LOUISIANA, INC.
Notes to the Financial Statements
December 31, 2011

NOTE G – Summary of Grants

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

Grant	Agency	Award No	Award Amount	Award Period	
				From	To
Street Outreach Services	HHS	90YO024	\$100,000	09/30/10	09/29/11
Street Outreach Services	HHS	90YO024	\$100,000	09/30/11	09/29/12
OJJDP FY 09	U.S. Dept of Justice	2009-JU-FX-0043	\$499,935	07/01/09	06/30/12
OJJDP FY 09	U.S. Dept of Justice	2010-CY-BX-0071	\$298,930	10/01/10	09/30/12
Projects With Industry	US EDU	H234S090113	\$286,400	10/01/10	09/30/11
21 ST Century Learning	LA EDU	690677	\$1,114,000	06/01/10	05/31/11

NOTE H – Contingencies and Commitments

The Organization was involved in litigation involving payroll matters, as of December 18, 2013. The Organization is still defending an action brought by three former contract workers alleging unpaid fees. The Organization believes it has meritorious defenses and an unfavorable outcome is unlikely. The potential damages are covered by liability insurance.

NOTE I – Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist principally of cash at financial institutions and grants/contracts receivable. Demand deposits, as reflected in the

THE KENNEDY CENTER OF LOUISIANA, INC.

Notes to the Financial Statements

December 31, 2011

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, 2011 deposits did not exceed FDIC limits. The Organization believes it is not exposed to any significant credit risks on its cash balances and receivables.

NOTE K – Subsequent Events

The Organization has evaluated subsequent events through December 18, 2013, the date which financial statements were available to be issued.

The Kennedy Center of Louisiana, Inc.

**Schedule of Expenditures of Federal Awards By Grant
For the Year Ended December 31, 2011**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures (\$)</i>
<i>Other Programs</i>			
<i>United States Department of Justice Direct Programs</i>			
Juvenile Mentoring Program	16.726		\$197,562
Second Chance Act Prisoner Reentry Initiative Mentoring Grants to Nonprofit Organizations - 2010-CY-BX-0071	16.812		\$155,475
<i>Total United States Department of Justice Direct Programs</i>			<u>\$353,037</u>
<i>Department of Education Direct Programs</i>			
Projects With Industry - H234S090113-10	84.234		\$209,865
<i>Total</i>			<u>\$209,865</u>
<i>Department of Education Pass-Through Programs</i>			
<i>Passed-through Louisiana Department of Education</i>			
Louisiana Department of Education Twenty- First Century Community Learning Centers	84.287	690677	\$610,576
<i>Total Twenty-First Century Community Learning Centers</i>			<u>\$610,576</u>
<i>Total Passed-through Louisiana Department of Education</i>			<u>\$610,576</u>
<i>Total Department of Education</i>			<u>\$820,441</u>
<i>Department of Health and Human Services Direct Programs</i>			
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth Street Outreach Program - 90YO0024/02	93.557		\$102,310
<i>Total Department of Health and Human Services</i>			<u>\$102,310</u>
<i>Total Expenditures of Federal Awards</i>			<u><u>\$1,275,788</u></u>

The accompanying notes to the Schedule of Federal Expenditures are an integral part of this financial statement

THE KENNEDY CENTER OF LOUISIANA, INC
Notes to the Schedule of Expenditures of Federal Awards
December 30, 2011

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 E in the notes to the financial statements page 12.

Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

**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
The Kennedy Center of Louisiana, Inc.
Shreveport, Louisiana

I have audited the financial statements of The Kennedy Center of Louisiana, Inc. (a not for profit) organization as of and for the year ended December 31, 2011, and have issued my report thereon dated December 18, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Kennedy Center of Louisiana, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Kennedy Center of Louisiana, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A deficiency in internal control exist 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 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 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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs, as items 11-01, 11-02, and 11-03, that I consider to be significant deficiencies in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Kennedy Center of Louisiana, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matter that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs and as items 11-4, 11-05, 11-06, 11-07, and 11-08.

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.

This report is intended solely for the information and use of management, The Kennedy Center of Louisiana, Inc.'s Board, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation
December 18, 2013

Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

I have audited the compliance of The Kennedy Center of Louisiana, Inc. (a not for profit organization) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2011. The Kennedy Center of Louisiana, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Kennedy Center of Louisiana, Inc.'s management. My responsibility is to express an opinion on The Kennedy Center of Louisiana, Inc.'s compliance based on my audit.

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 Kennedy Center of Louisiana, Inc.'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. My audit does not provide a legal determination of The Kennedy Center of Louisiana, Inc.'s compliance with those requirements.

As described in items 11-04, 11-05, 11-06, and 11-07, in the accompanying schedule of findings and questioned costs, The Kennedy Center of Louisiana, Inc. did not comply with the requirements regarding matching requirements, equipment management, and cash management procedures that are applicable to its Juvenile Justice Mentoring, Street Outreach, and Projects With Industry Programs. Compliance with such requirements is necessary, in my opinion, for The Kennedy Center of Louisiana, Inc. to comply with the requirements applicable to those programs.

In my opinion, except for the noncompliance described in the preceding paragraph, The Kennedy Center of Louisiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of The Kennedy Center of Louisiana, Inc. is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered The Kennedy Center of Louisiana, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance 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 The Kennedy Center of Louisiana, Inc.'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 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.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-04, 11-05, 11-06, 11-07 and 11-08. 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.

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.

This report is intended solely for the information and use of management, The Kennedy Center of Louisiana, Inc.'s Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Talmadge E. Mitchel
Certified Public Accountant
A Professional Corporation
December 18, 2013

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 - Unqualified

Internal Control over financial reporting

Material Weaknesses identified	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Noncompliance material to financial Statements noted	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Federal Awards

Internal control over major program:

Material weakness(es)	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported

Type of auditor’s report issued on compliance for major programs

Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133

<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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Major program identified

21 st Century Learning Center	CFDA 84.287
Juvenile Mentoring Program	CFDA 16.726

Dollar threshold used to distinguish between type A and type B programs

\$300,000.00

Auditee qualified as a high risk auditee

THE KENNEDY CENTER OF LOUISIANA, INC.

Section II - Financial Statement Findings

Item 11-01

Criteria

Inconsistent application of account classifications within each company.

Condition

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

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

Effect

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

Context

The form and content of the chart of accounts for each set of summary books of account should be consistent for each class of transactions.

Cause

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

Recommendation

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

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. The accounting manual has been completed to provide proper policy and procedure, including policy and procedures for the chart of accounts definition, descriptions, and classifications. Procedures have been implemented to correct audit recommendations.

Anticipated Completion Date: August 20, 2012

THE KENNEDY CENTER OF LOUISIANA, INC.

Section II - Financial Statement Findings

Item 11-02

Criteria or specific requirement

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

Condition

The books of account did not accurately reflect the accounting for grant awards made to the organization. Initial grant awards were not recorded as well as, the unobligated balances.

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. Material adjusting entries were made in the audited financial statements to reflect proper balances.

Context

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

Cause

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

Recommendation

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

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. We will upgrade the bookkeeper's knowledge on accounting for grants by enrolling her in additional training courses as it relates to non-profits and grant accounting.

Anticipated Completion Date: Initial training to be completed by December 31, 2012 and will be ongoing.

THE KENNEDY CENTER OF LOUISIANA, INC.

Section II - Financial Statement Findings

Item 11-03

Criteria

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

Condition

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

Effect

There exists the possibility that invoice documents can be reused to cover unauthorized payments.

Context

An examination of 108 individually selected items was made for the purpose of determining the allowability and reasonableness of costs. It was observed that none of the supporting documentation was cancelled to prevent reuse.

Cause

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

Recommendation

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

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director, Bookkeeper, Account Clerk

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

Anticipated Completion Date: August 20, 2012

THE KENNEDY CENTER OF LOUISIANA, INC.

Section II - Financial Statement Findings

Item 11-04

Criteria or specific requirement

OMB Circular A-110, Sub-Part C (f) (1) requires that adequate records are to be maintained for equipment acquired with Federal funds. The records should reflect at a minimum, the description of the equipment, serial number or stock number, source or award number, acquisition date, unit cost, location, and whether the equipment vest with the Federal government.

Condition

Equipment records are inadequate. The equipment records did not contain all the elements required by OMB Circular A-110, Sub-Part C (f) (1). In particular, the records did not reflect the unit costs and the acquisition date of the equipment, nor did the records reflect the source or award number.

Effect

An internal control over the safeguarding of assets is weakened. Also, the statement of financial position does not include the equipment classification and corresponding accumulated depreciation of equipment. In addition there is non-compliance with federal requirements on the control of equipment.

Context

This finding was made during the examination of the equipment inventory and records.

Cause

The organization did not take steps to properly record equipment in its inventory when purchased. Management assumed that since these items were classified as supplies in its budget, there was no need to maintain adequate equipment records.

Recommendation

It is recommended that the organization review its equipment inventory and purchase records and update its equipment inventory to comply with OMB Circular A-110.

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director, Bookkeeper, Account Clerk

Corrective Action Plan: We concur with this recommendation. The accounting manual has been completed to provide proper policy and procedures, including policy and procedures for Fixed Assets Equipment Inventory. Procedures have been implemented to correct audit recommendations.

Anticipated Completion Date: August 20, 2012

THE KENNEDY CENTER OF LOUISIANA, INC.

Section III – Compliance Findings

Item 11-05

Criteria or specific requirement

The Office of Juvenile Justice Program 2009 Mentoring Grant, the Department of Education's Projects with Industry, and the Department of Health and Human Service's Street Outreach Services grants required matching requirements as part of the grant awards.

Condition

The organization's financial records did not reflect that the matching requirements were met.

Effect

The organization is not in compliance with the grant agreement. Based on the amount of earned grant revenues, the organization should have recorded matching requirements as follows:

Grant	CFDA No.	Match Requirement	Required Match
Office of Juvenile Justice	16.726	25%	65,854.00
Save Our Streets	93.557	10%	10,231.00
Projects with Industry	84.234S	20%	41,973.00

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

According to management, volunteers were used in the programs, however, documentation was not maintained and corresponding accounting entries were not made to document the matching requirements.

Recommendation

Management should identify the volunteer services per their time and effort records and update the accounting records to reflect the appropriate monetary effect of the volunteer services. In addition, the organization should immediately require volunteers to complete documentation in the form of time and effort records and assign an appropriate rate of pay to provide for the matching requirements.

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director

Corrective Action Plan: We concur with this recommendation. The time and effort policy for volunteers has been completed, including a time and effort reporting form to be submitted bi-weekly and approved and signed by the Executive Director. Procedures have been implemented to correct audit recommendations.

Anticipated Completion Date: Immediately

THE KENNEDY CENTER OF LOUISIANA, INC.

Section III – Compliance Findings

Item 11-06

Criteria or specific requirement

OMB Circular A-110, Sub-Part C (f) (1) requires that adequate records are to be maintained for equipment acquired with Federal funds. The records should reflect at a minimum, the description of the equipment, serial number or stock number, source or award number, acquisition date, unit cost, location, and whether the equipment vest with the Federal government.

Condition

Equipment records are inadequate. The equipment records did not contain all the elements required by OMB Circular A-110, Sub-Part C (f) (1). In particular, the records did not reflect the unit costs and the acquisition date of the equipment, nor did the records reflect the source or award number.

Effect

An internal control over the safeguarding of assets is weakened. Also, the statement of financial position does not include the equipment classification and corresponding accumulated depreciation of equipment. In additional there is non-compliance with federal requirements on the control of equipment.

Context

This finding was made during the examination of the equipment inventory and records.

Cause

The organization did not take steps to properly record equipment in its inventory when purchased. Management assumed that since these items were classified as supplies in its budget, there was no need to maintain adequate equipment records.

Recommendation

It is recommended that the organization review its equipment inventory and purchase records and update its equipment inventory to comply with OMB Circular A-110.

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director, Bookkeeper, Account Clerk

Corrective Action Plan: We concur with this recommendation. The accounting manual has been completed to provide proper policy and procedures, including policy and procedures for Fixed Assets Equipment Inventory. Procedures have been implemented to correct audit recommendations.

Anticipated Completion Date: August 20, 2012

THE KENNEDY CENTER OF LOUISIANA, INC.

Section III – Compliance Findings

Item 11-07

Criteria or specific requirement

OMB Circular A-110, Sub-Part C (b)(5) requires that grant recipients have written procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the issuance of checks for payment of cost for program purposes.

Condition

The organization does not have written procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the payment of cost incurred or anticipated cost for program purposes.

Effect

The organization is not in compliance with requirements as set forth in OMB Circular A-110 as it pertains to cash management.

Context

This finding was made during the examination of the organization's cash management procedures.

Cause

The organization did not take steps to compile and write accounting policies and procedures.

Recommendation

It is recommended that the organization review and compile an accounting manual for its policies and procedures.

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director, Bookkeeper

Corrective Action Plan: We concur with this recommendation. The accounting manual has been completed and the procedure has been implemented to correct audit recommendations.

Anticipated Completion Date: August 20, 2012

THE KENNEDY CENTER OF LOUISIANA, INC.

Section III – Compliance Findings

Item 11-08

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, 2011 and was required to submit an audit report by June 30, 2012.

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.

Recommendation

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

Views of responsible officials and planned corrective action

Contact Person Responsible: Executive Director

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

Anticipated Completion Date: 11/01/2012

THE KENNEDY CENTER OF LOUISIANA, INC.
Summary Schedule of Prior Audit Findings – Financial Statement
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				
10-01	12/31/2010	Bank reconciliations included checks that had been outstanding for extended periods of time.	No	Management has developed procedures whereby the list of outstanding checks will be reviewed routinely each month, prior to finalizing the monthly bank reconciliation to identify such long outstanding items.
10-02	12/31/2010	Bank reconciliations did not agree with ending cash balances per the general ledger.	Yes	Management has developed procedures to ensure that the adjustments to cash occur within the current period so as not to affect prior cash balances.
10-03	12/31/2010	Bank reconciliations were not performed in a timely manner.	Yes	Management has developed procedures to ensure that bank reconciliations are performed in a timely manner.
10-04	12/31/2010	Inconsistent application of the classification of expenditures within the general ledger.	No	Management has developed an accounting manual including a common chart of accounts.

THE KENNEDY CENTER OF LOUISIANA, INC.
Summary Schedule of Prior Audit Findings – Financial Statement
For the Year Ended December 31, 2011

10-05	12/31/2010	Ineffective separation of duties.	Yes	Management has implemented additional procedures to enhance the separation of duties.
10-06	12/31/2010	Initial grant awards were not recorded to the books of account in the prescribed manner.	No	Management will upgrade the bookkeeper's knowledge by providing additional formal training.
10-07	12/31/2010	Processed vouchers were not cancelled when paid to prevent reused.	No	The accounting manual has been completed to provide proper policy and procedures, including procedures for cash disbursements

THE KENNEDY CENTER OF LOUISIANA, INC.

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

10-08	12/31/2010	Equipment records are inadequate. Equipment records did not contain all the elements required by OMB Circular A-110, Sub-Part C (f)(1).	No	The accounting manual has been completed to provide proper procedures for maintaining the fixed asset inventory.
10-09	12/31/2010	The organization did not meet its matching requirements for the following grants: Office of Juvenile Justice, Save Our Streets, and the Projects with Industry.	No	The time and effort policy for volunteers has been completed, including a time and effort reporting form to be submitted bi-weekly and approved and signed by the Executive Director, to recognize the volunteer match.
10-10	12/31/2010	Equipment records are inadequate. Equipment records did not contain all the elements required by OMB Circular A-110, Sub-Part C (f) (1).	No	The accounting manual has been completed to provide proper procedures for maintaining the fixed asset inventory.
10-11	12/31/2010	The organization does not have written procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the payment of cost incurred or anticipated costs for program purposes.	No	The accounting manual has been completed and the procedure has been implemented.