P&N Postlethwaite & Netterville

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10857
(38)

February 2, 2015

Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Sir,

Attached you will find the revised reporting package for Healing Place Serve (entity ID #10857) for the year ended December 31, 2013. The revised reporting package includes the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 dated January 30, 2015. This resubmission does not revise the Financial Statements or the Independent Auditors' 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* for the year ended December 31, 2013, thereon dated June 19, 2014.

If you have any questions or need further information please contact Candy Wright or Tiffani Dorsa with Postlethwaite & Netterville (auditors) at 225-922-4600 or Paul Trahan (Program Director) at 225-810-6793.

Sincerely,

Postlethwaite & Netterville

Postlethwaite & Netterville

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 FEB 11 2015

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REISSUE

HEALING PLACE SERVE

(A NOT FOR PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2013

P&N Postlethwaite & Netterville

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HEALING PLACE SERVE

(A NOT FOR PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CONTENTS

	Page
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13
Independent Auditors' 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*	14 - 15
Schedule of Findings	16
Schedule of Prior Year Audit Findings	17

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Healing Place Serve
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Healing Place Serve (HP Serve or the Organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Healing Place Serve as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 19, 2014

HEALING PLACE SERVE
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash	$ 8,182	$ 7,753
Restricted cash	184,259	131,881
Accounts receivable	8,612	7,500
Prepaid insurance	6,787	12,352
Federal grants receivable	40,956	13,436
Total current assets	248,796	172,922
PROPERTY AND EQUIPMENT		
Building and improvements	130,000	-
Leasehold improvements	81,461	-
Equipment	3,500	3,500
Vehicle	17,067	-
Less: accumulated depreciation	(17,014)	(756)
Net property and equipment	215,014	2,744
Total assets	$ 463,810	$ 175,666

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$ 15,121	$ 15,737
Accrued payroll	30,374	17,585
Note payable	101,832	-
Total liabilities	147,327	33,322
NET ASSETS		
Unrestricted	132,224	10,463
Temporarily restricted	184,259	131,881
Total net assets	316,483	142,344
Total liabilities and net assets	$ 463,810	$ 175,666

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

HEALING PLACE SERVE
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Donations - program related	$ -	$ 178,750	$ 178,750
Grant revenue - reimbursable expenses	622,950	-	622,950
Donations	9,615	-	9,615
In-kind revenues	122,944	-	122,944
Indirect costs	38,056	-	38,056
Program service fees	310	-	310
Employee support	-	2,100	2,100
Total revenues	793,875	180,850	974,725
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	128,472	(128,472)	-
Total revenues and other support	922,347	52,378	974,725
EXPENSES			
Program	636,367	-	636,367
Management and general	159,250	-	159,250
Fundraising	4,969	-	4,969
Total expenses	800,586	-	800,586
CHANGE IN NET ASSETS	121,761	52,378	174,139
Net assets, beginning of year	10,463	131,881	142,344
Net assets, end of year	$ 132,224	$ 184,259	$ 316,483

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

2012		
Unrestricted	Temporarily Restricted	Total
$ -	$ 178,492	$ 178,492
395,204	-	395,204
2,001	-	2,001
35,517	-	35,517
11,750	-	11,750
5,898	-	5,898
-	1,500	1,500
450,370	179,992	630,362
56,831	(56,831)	-
507,201	123,161	630,362
437,098	-	437,098
81,285	-	81,285
10,718	-	10,718
529,101	-	529,101
(21,900)	123,161	101,261
32,363	8,720	41,083
$ 10,463	$ 131,881	$ 142,344

HEALING PLACE SERVE
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Program	Management and General	Fundraising	Total
Salaries and wages	$ 315,324	$ 78,831	$ -	$ 394,155
Payroll taxes and employee benefits	31,230	7,808	-	39,038
In-kind donations (program)	73,919	-	-	73,919
Meetings, travel and education	19,989	-	-	19,989
Fees	-	10,947	-	10,947
Rent, utilities & parking	-	10,030	-	10,030
Facilities and equipment	-	9,932	-	9,932
Depreciation expense	-	16,258	-	16,258
Non-program expenses	-	9,950	-	9,950
Fundraising expenses	-	-	4,969	4,969
Office and computer supplies	-	13,893	-	13,893
Interest expense	-	1,601	-	1,601
Direct program expenses	195,905	-	-	195,905
	$ 636,367	$ 159,250	$ 4,969	$ 800,586

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

2012			
Program	Management and General	Fundraising	Total
$ 213,557	$ 53,389	$ -	$ 266,946
13,566	3,392	-	16,958
35,517	-	-	35,517
19,089	-	-	19,089
-	9,370	-	9,370
-	722	-	722
-	6,570	-	6,570
-	756	-	756
-	1,963	-	1,963
-	-	10,718	10,718
-	5,123	-	5,123
-	-	-	-
155,369	-	-	155,369
$ 437,098	$ 81,285	$ 10,718	$ 529,101

HEALING PLACE SERVE
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 174,139	$ 101,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,258	756
Donated renovations to property	(49,025)	-
Net change in:		
Accounts receivable	(1,112)	(7,500)
Prepaid insurance	5,565	(12,352)
Federal grants receivable	(27,520)	(1,826)
Accounts payable	(616)	4,127
Payroll liabilities	12,789	(1,279)
Net cash provided by operating activities	130,478	83,187
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for equipment	(179,503)	(3,500)
Net cash used in investing activities	(179,503)	(3,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	104,000	-
Principal payments on note payable	(2,168)	-
Net cash provided by financing activities	101,832	-
Net change in cash	52,807	79,687
Cash at beginning of year	139,634	59,947
Cash at end of year	$ 192,441	$ 139,634
Supplemental disclosures:		
Cash paid during the year for interest	$ 1,601	$ -

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

HEALING PLACE SERVE
(A NOT FOR PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of Healing Place Serve (HP Serve or the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

Organization Background

HP Serve is a not for profit Organization founded in September 2010 to empower individuals, families, and communities in disadvantaged areas of Louisiana by meeting their physical, educational, emotional, and spiritual needs. The Organization also provides housing for low-income individuals.

Tax Exemption Status

HP Serve is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization applies the accounting guidance related to accounting for uncertain tax positions. In management's judgment, the Organization does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date. The federal tax years open for assessment are ending on or after December 31, 2010.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). 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. The Organization does not have any permanently restricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants receive the same accounting treatment as contributions, if the grant activity is to be planned and carried out by the Organization and the Organization has the right to the benefits of carrying out the activity.

1. **Summary of Significant Accounting Policies** (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and other investments with original maturities of three months or less. Restricted cash represents amounts held by the Organization with donor-imposed restrictions.

Accounts Receivable

The Organization determines past due accounts based on contractual terms and does not charge interest on the accounts. The Organization charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management does not believe an allowance for doubtful accounts is necessary at December 31, 2013 and 2012.

Federal grants receivable consists of receivables for reimbursement of expenditures under various federal programs and grants.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at historical cost. Depreciation of property and equipment is computed over the estimated useful lives of the assets, which range from 3 – 39 years, using the straight-line method.

Donated Materials, Equipment and Facilities

Donated materials, equipment and facilities are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt. The Organization operates, with a minimal charge, certain premises upon which their office is located. The estimated fair rental value of the premises is reported as support and expense in the year in which the premises are used.

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies** (continued)

Contributed Services

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation.

Functional Allocation of Expenses

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated between program and administrative expense based on management's estimate.

2. **Temporarily Restricted Funds**

Net assets were temporarily restricted for the following purposes at December 31:

	2013	2012
Summer Youth Program	$ 270	$ 462
Foster Care Program	179,191	122,795
Reading Buddies Program	3,823	7,000
Midnight Outreach Program	361	510
Client Support	614	814
Employee Support	-	300
	$ 184,259	$ 131,881

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors for the following programs:

	2013	2012
Summer Youth Program	$ 192	$ 8,258
Foster Care Program	121,254	46,987
Reading Buddies Program	3,177	-
Midnight Outreach Program	1,249	-
Client Support	200	386
Employee Support	2,400	1,200
	$ 128,472	$ 56,831

3. **Credit Risk**

The Organization has cash balances on deposit with financial institutions that may at times exceed FDIC insurance. Management believes the credit risk is minimal.

4. **Related Party**

Healing Place Church handles some of the administrative activities, including payroll, for the Organization. The Organization also receives donated office space from Healing Place Church. The value of the donated facilities received during the years ended December 31, 2013 and 2012 were $38,200 and $16,200, respectively. Healing Place Church receives no compensation for these services or for the use of the office space.

5. **Operating Lease**

On December 1, 2012, Healing Place Serve entered into a lease agreement for a house used for their Foster Care Program. The lease is $500 a month and ends on November 30, 2014. For the years ended December 31, 2013 and 2012, rent expense incurred by Healing Place Serve was $6,000 and $500, respectively.

6. **Notes Payable**

On July 31, 2013, Healing Place Serve entered into a loan agreement with a financial institution for the purchase of a building. The loan amount was $104,000, with monthly principal and interest payments beginning on August 31, 2013 with an interest rate of 3.65%. Principal payments are $754 and due monthly. This note is due upon lender's demand with a maturity date of July 31, 2018 if no demand is made. The note is secured by the building and the balance at December 31, 2013 is $101,832.

On July 31, 2013, Healing Place Serve established a $30,000 line of credit which bears interest at 3.65%. The line has a maturity date of July 31, 2014 and is secured by property. The Organization has not borrowed any money against this line of credit.

7. In-kind Donations

The Organization receives in-kind donations of various assets and services in connection with the delivery of its programs. The fair value of the in-kind donation is recorded as leasehold improvements, revenues and expenses when the goods or services are pledged or received. In-kind donations recognized for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Office space - related party	$ 38,200	$ 16,200
Office space - other	8,400	7,298
Materials	27,319	12,019
Renovations	49,025	--
Total in-kind revenues	$ 122,944	$ 35,517

8. Contributed Services

During the years ended December 31, 2013 and 2012, the total value of contributed services meeting the requirements for recognition in the financial statements was $49,025 and $0, respectively. Contributed services represent volunteer hours worked by various contractors for the renovations of the property.

9. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 19, 2014, and determined that the following disclosure is necessary. The Organization was awarded a federal grant through the Department of Justice on October 1, 2013 in the amount of $399,868. The grant is to provide services for victims of human trafficking. The Organization received authorization to draw down the funds beginning April 11, 2014. No events occurring after this date have been evaluated for inclusion in these financial statements.

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Independent Auditors' 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
Healing Place Serve
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Healing Place Serve, which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2013-1 to be a material weakness.

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Compliance and Other Matters

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

Organization's Response to Finding

Healing Place Serve's response to the finding identified in our audit is described in the accompanying schedule of findings. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 19, 2014

HEALING PLACE SERVE
SCHEDULE OF AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2013

2013-1 Drafting of Financial Statements and recording accruals and other non-cash adjustments

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we assisted management in drafting the financial statements and related note disclosures required for the year-end financial reporting. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient. In addition, during the audit, we noted that many of the accounts required adjustment. The following accounts required adjustments in order for them to properly reflect end of year balances: reimbursement receivables, equipment, prepaid insurance, debt, in-kind revenue, and accounts payable. Recording accruals and other non-cash adjustments play a key role in providing for accurate balances which are included in the financial statements. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient.

Cause: The Organization's records are kept primarily on a cash basis of accounting.

Effect: The Organization has a material weakness in their internal control over financial reporting. This is a repeat finding from prior year.

Recommendation: The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements. The Organization should also record accruals and other non cash activity at least annually. This would involve reviewing the general ledger to identify which accounts required adjustments and calculating the correct year-end balance.

View of Responsible Official and Planned Corrective Action:
HP Serve recognizes their insufficiencies in their internal controls over year-end GAAP financial statements. HP Serve Accountant will begin meeting with a CPA once a month to help draft financial statements. The CPA will also help record accruals and other non cash activity at year end.

HEALING PLACE SERVE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2012

2012-1 Drafting of Financial Statements and recording accruals and other non-cash adjustments

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we assisted management in drafting the financial statements and related note disclosures required for the year-end financial reporting. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient. In addition, during the audit, we noted that many of the accounts required adjustment. The following accounts required adjustments in order for them to properly reflect end of year balances: reimbursement receivables, equipment, prepaid insurance, in-kind revenue, and accounts payable. Recording accruals and other non-cash adjustments play a key role in providing for accurate balances which are included in the financial statements. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient.

Cause: The Organization's records are kept primarily on a cash basis of accounting.

Effect: The Organization has a significant deficiency in their internal control over financial reporting.

Recommendation: The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements. The Organization should also record accruals and other non cash activity at least annually. This would involve reviewing the general ledger to identify which accounts required adjustments and calculating the correct year-end balance.

View of Responsible Official and Planned Corrective Action:

HP Serve recognizes their insufficiencies in their internal controls over year-end GAAP financial statements.

Current Status: Not resolved. See finding 2013-1.

HEALING PLACE SERVE
(A NOT FOR PROFIT ORGANIZATION)

REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS
DECEMBER 31, 2013

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TABLE OF CONTENTS

Independent Auditors' 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*	1 - 2
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3 - 5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 - 13
Schedule of Prior Year Audit Findings and Questioned Costs	14 - 15

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Independent Auditors' 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
Healing Place Serve
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Healing Place Serve (the Organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-1 to be a material weakness.

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Compliance and Other Matters

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

Organization's Response to Finding

Healing Place Serve's response to the finding identified in our audit is described in the accompanying schedule of findings. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 19, 2014

P&N Postlethwaite & Netterville

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Healing Place Serve
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Healing Place Serve's (HP Serve or the Organization) 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 HP Serve's major federal programs for the year ended December 31, 2013. HP Serve's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of HP Serve's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 HP Serve's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of HP Serve's compliance.

Basis for Adverse Opinion on CFDA No. 93.598-Rescue and Restore Victims of Human Trafficking

As described in the accompanying schedule of findings and questioned costs, HP Serve did not comply with requirements regarding CFDA 93.598 Rescue and Restore Victims of Human Trafficking as described in finding numbers 2013-2 for Sub-recipient Monitoring and 2013-3 for Reporting. Compliance with such requirements is necessary, in our opinion, for HP Serve to comply with the requirements applicable to that program.

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Adverse Opinion on CFDA No. 93.598-Rescue and Restore Victims of Human Trafficking

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, HP Serve did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Rescue and Restore Victims of Human Trafficking program for the year ended December 31, 2013.

Unmodified Opinion on the Other Major Federal Program

In our opinion, HP Serve complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

HP Serve's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HP Serve's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of HP Serve is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered HP Serve's internal control over compliance with the requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of HP Serve's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-2, 2013-3, and 2013-4 to be material weaknesses.

HP Serve's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HP Serve's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

We have audited the financial statements of HP Serve as of and for the year ended December 31, 2013, and have issued our report thereon dated June 19, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 30, 2015

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program Name	Grant Number	CFDA Number	Expenditures
U.S. Department of Health and Human Services (DHHS)			
Direct Program:			
Office of Refugee Resettlement			
Rescue and Restore Victims of Human Trafficking	90ZV0098-03; 02	93.598	$ 253,457
Direct Program:			
Administration for Children and Families - Family and Youth Services Bureau			
Street Outreach Program	90YO0166-03; 02	93.557	122,934
Transitional Living Program	90CX6891-02; 01	93.550	209,352
Direct Program:			
Administration for Children and Families - Children's Bureau			
Child Welfare Involvement at-risk of Homelessness	90CA1802-01	93.670	56,512
U.S. Department of Justice			
Passed through: City of Baton Rouge - Parish of East Baton Rouge			
BRAVE	2012-PB-FX-K001	16.123	18,085
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 660,340

See accompanying notes to Schedule of Expenditures of Federal Awards.

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Healing Place Serve and is presented on 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-RECPIENTS

Program: Title	CFDA Number	Amounts Provided to Sub-recipients
Catholic Charities Archdiocese of New Orleans	93.598	$ 26,575
Crisis Pregnancy Help Center of Slidell	93.598	32,107
LHTTF Middle District / New Life Trauma	93.598	26,965
Kingdom Builders	93.598	30,787
Family Values Resource Institute	93.598	27,417
Total		$ 143,851

NOTE C – RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

Total Expenses	$ 800,586
Non-Cash Adjustments – Depreciation	(16,258)
Non-Cash Adjustments – In-kind donations	(73,919)
Non-Federal Expenditures	(50,069)
Total Federal Expenditures	$ 660,340

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

- Material weakness(es) identified? ___x___ yes _____ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes ___x___ none reported

Noncompliance material to financial statements noted? _____ yes ___x___ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___x___ yes _____ no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes ___x___ none reported

Type of auditor's report issued on compliance for each major program: Adverse Opinion – CFDA No. 93.598; Unmodified Opinion – CFDA No. 93.557

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___x___ yes _____ no

The Program tested as major programs include:

- Rescue and Restore Victims of Human Trafficking — CFDA # 93.598
- Street Outreach Program — CFDA # 93.557

- The threshold for distinguishing Types A and B programs was program expenditures equal to or exceeding $300,000.

- Healing Place Serve did not qualify as a low-risk auditee.

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

FINDINGS–Financial Statement Audit

2013-1 Drafting of Financial Statements and recording accruals and other non-cash adjustments

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we assisted management in drafting the financial statements and related note disclosures required for the year-end financial reporting. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient. In addition, during the audit, we noted that many of the accounts required adjustment. The following accounts required adjustments in order for them to properly reflect end of year balances: reimbursement receivables, equipment, prepaid insurance, debt, in-kind revenue, and accounts payable. Recording accruals and other non-cash adjustments play a key role in providing for accurate balances which are included in the financial statements. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient.

Cause: The Organization's records are kept primarily on a cash basis of accounting.

Effect: The Organization has a material weakness in their internal control over financial reporting. This is a repeat finding from prior year.

Recommendation: The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements. The Organization should also record accruals and other non cash activity at least annually. This would involve reviewing the general ledger to identify which accounts required adjustments and calculating the correct year-end balance.

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

FINDINGS–Financial Statement Audit (continued)

2013-1 Drafting of Financial Statements and recording accruals and other non-cash adjustments (continued)

View of Responsible Official and Planned Corrective Action:
HP Serve recognizes their deficiencies in their internal controls over year-end GAAP financial statements. HP Serve Accountant will begin meeting with a CPA once a month to help draft financial statements. The CPA will also help record accruals and other non cash activity at year end.

FINDINGS-Major Federal Award Programs

2013-2 Sub-recipient Monitoring **Questioned Costs: None**

Department of Health and Human Services

93.598 Rescue and Restore Victims of Human Trafficking

Grant No(s): 90ZV0098-03-00; 90ZV0098/02

Criteria: OMB Circular A-133 and the A-110 Common Rule indicate that a pass-through entity is responsible for monitoring the activities of its sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

The pass-through agency is also responsible for ensuring that sub-recipients expending $500,000 or more in Federal awards during the sub-recipient's fiscal year as required under OMB Circular A-133 have met the audit requirements. The pass-through agency is also responsible for ensuring the required audits are completed within 9 months of the end of the sub-recipient's audit period; issuing a management decision on audit findings within 6 months of receipt of the sub-recipient's audit report; and ensuring that the sub-recipient takes timely and appropriate corrective action on all audit findings.

Additionally, certain information must be made available to the sub-recipient in sub-award agreements as required by OMB Circular A-133, such as CFDA title and number, award name and number, name of Federal awarding agency and other requirements imposed by laws, regulations, and other provisions.

FINDINGS-Major Federal Award Programs (continued)

2013-2 Sub-recipient Monitoring (continued)

Condition: In considering the Organization's compliance with its monitoring requirements, we noted that management did appropriately review and approve all sub-recipient invoices submitted for reimbursement. We also noted that the required monitoring site visits were being performed; however proper documentation of these site visits were not maintained.

Also, we noted that one sub-recipient was required to be audited based on OMB Circular A-133 requirements. The Organization failed to ensure that the required sub-recipient audits were completed and that the sub-recipients took appropriate and timely corrective action on any potential audit findings.

Lastly, in considering the Organization's compliance with its monitoring requirements, it was also noted that review of sub-award agreements indicated that the CFDA title and number, which is required information, was not made available to the sub-recipient.

Cause: Due to the limited maturity of the program at the organizational level and first year being audited, the Organization's staff was unaware of the monitoring requirements.

Effect: The Organization is non-compliant with federal award terms regarding sub-recipient monitoring since they did not have a procedure in place to ensure proper documentation of review of site visits and that audits based on OMB Circular A-133 requirements were obtained and documented for the applicable sub- recipients. This lack of controls over sub-recipient monitoring constitutes a material weakness in their internal control over compliance.

Recommendation: We recommend that the Organization develop and adhere to written policies and procedures to ensure that they are in compliance with the monitoring requirements of the grant. This should include ensuring that audited financial statements of the sub-recipients are obtained as well as ensuring that all required communications are provided to the sub-recipients.

View of Responsible Official and Planned Corrective Action

HP Serve now understands the requirements for sub-recipient monitoring. For future sub-recipient grants HP Serve will make sure to follow OMB Circular A-133. After receiving this finding, HP Serve requested the organizations audit, reviewed the audit and found that it had no findings.

FINDINGS-Major Federal Award Programs (continued)

2013-3 Reporting **Questioned Costs: None**

Department of Health and Human Services

93.598 Rescue and Restore Victims of Human Trafficking

Grant No(s): 90ZV0098-03-00; 90ZV0098/02

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) requires information on federal awards (federal financial assistance and expenditures) be made available to the public via a single, searchable website. As defined in the act, prime awardees awarded a federal grant are required to file a FFATA sub-award report by the end of the month following the month in which the prime awardee awards any sub-grant equal to or greater than $25,000.

Condition: Sub-grant awards granted by the DHHS during the fiscal year were not reported in accordance with Federal Funding Accountability and Transparency Act. It was noted that six sub-recipients exceeded the $25,000 threshold of sub-grant funding.

Cause: Due to the limited maturity of the program and first year being audited, the Organization's staff was unaware of the compliance requirements.

Effect: The Organization is non-compliant with federal award terms. Also, the lack of controls over reporting constitutes a material weakness in their internal control over compliance.

Recommendation: The Organization should prepare and file the required reports as soon as possible. In addition, HP Serve should develop a process for reviewing, at a minimum annually, the specific reporting requirements of each of its federal programs to ensure timely filing and reporting in the future.

View of Responsible Official and Planned Corrective Action

HP Serve now understands the requirements for the Federal Funding Accountability and Transparency Act. For future sub-recipient grants HP Serve will report the FFATA sub-award report by the end of the month following the month in which we award any sub-grant equal to or greater than $25,000. After receiving this finding, HP Serve has filed the FFATA report for grant 93.598.

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2013

FINDINGS-Major Federal Award Programs (continued)

2013-4 Internal controls over Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Questioned Costs: None

Criteria: OMB Circular A-133 requires the preparation of the Schedule of Expenditures of Federal Awards that contains all federal grants and expenditures incurred toward those grants in any one period. The Schedule of Federal Awards (the Schedule) is to be prepared from the accounting and grant records of the auditee. The audit package and the data collection form shall be submitted 30 days after receipt of the auditors' reports or nine months after the end of the fiscal year end date, whichever comes first.

Condition: The accounting and grant records lacked coordination to ensure that the Schedule included all grants received by the Organization.

Cause: Due to the limited maturity of the program and first year being audited, the Organization's staff was unaware of the compliance requirements. The Schedule was incomplete and as a result the Organization did not meet the submission deadline.

Effect: Without adequate internal controls over the preparation of the Schedule, the Organization and the Organization's auditor could fail to identify all federal awards subject to audit.

Recommendation: The Organization should develop a process to track all of the required information needed to prepare the Schedule in accordance with OMB Circular A-133 in order to meet the submission deadline.

View of Responsible Official and Planned Corrective Action

We have added the $18,085 from grant 2012-PB-FX-K001 to our list of federal funds received. We had not included the funds previously because the funds were flow through funds from the City of Baton Rouge. In the future we will include all funds received that originated with the federal government.

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINDINGS–Financial Statement Audit

2012-1 Drafting of Financial Statements and recording accruals and other non-cash adjustments

Criteria: The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we assisted management in drafting the financial statements and related note disclosures required for the year-end financial reporting. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient. In addition, during the audit, we noted that many of the accounts required adjustment. The following accounts required adjustments in order for them to properly reflect end of year balances: reimbursement receivables, equipment, prepaid insurance, in-kind revenue, and accounts payable. Recording accruals and other non-cash adjustments play a key role in providing for accurate balances which are included in the financial statements. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient.

Cause: The Organization's records are kept primarily on a cash basis of accounting.

Effect: The Organization has a significant deficiency in their internal control over financial reporting.

Recommendation: The Organization should take a more in-depth role in the understanding of the information necessary in the drafting of financial statements and related notes to the financial statements. The Organization should also record accruals and other non cash activity at least annually. This would involve reviewing the general ledger to identify which accounts required adjustments and calculating the correct year-end balance.

HEALING PLACE SERVE
BATON ROUGE, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FINDINGS–Financial Statement Audit (continued)

2012-1 Drafting of Financial Statements and recording accruals and other non-cash adjustments (continued)

View of Responsible Official and Planned Corrective Action:

HP Serve recognizes their insufficiencies in their internal controls over year-end GAAP financial statements.

Current Status: Not resolved. See finding 2013-1.