

CHEZ HOPE, INC.

Financial Statements

Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8-13
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	15-16
Schedule of audit results	17
Management's response and corrective action plan for current audit findings	18
Summary schedule of prior audit findings	19

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Penny Angelle Scruggins, CPA
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA

Stephen J. Anderson, CPA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Marshall W. Guidry, CPA
Stephen R. Moore, Jr., CPA, PFS, CFP®, ChFC®*
James R. Roy, CPA
Robert J. Metz, CPA
Alan M. Taylor, CPA
Kelly M. Doucet, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Kristin B. Dauzat, CPA
Jane R. Hebert, CPA
W. Jeffrey Lowry, CPA
Brad E. Kolder, CPA, JD
Casey L. Ardoin, CPA
Deidre L. Stock, CPA
Karen V. Fontenot, CPA

* A Professional Accounting Corporation

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberna, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandria, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O. Chapman, CPA* 2006

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chez Hope, Inc.
Franklin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Chez Hope, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chez Hope, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of Chez Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chez Hope, Inc.'s internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 22, 2014

FINANCIAL STATEMENTS

CHEZ HOPE, INC.

Statement of Financial Position
June 30, 2014

ASSETS

Current assets	
Cash	\$ 2,082
Grants receivable	84,962
Other receivables	12,764
Prepaid expenses	<u>6,227</u>
Total current assets	<u>106,035</u>
Capital assets	
Nondepreciable	36,500
Depreciable, net of accumulated depreciation	<u>465,460</u>
Total capital assets	<u>501,960</u>
Total assets	<u>\$ 607,995</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Demand note payable	\$ 25,000
Short-term debt	2,729
Current portion of notes payable	22,034
Accounts payable	14,120
Accrued expenses	<u>4,631</u>
Total current liabilities	68,514
Long-term liabilities	
Notes payable, net of current portion	<u>258,651</u>
Total liabilities	327,165
Net assets	
Unrestricted	<u>280,830</u>
Total liabilities and net assets	<u>\$ 607,995</u>

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

CHEZ HOPE, INC.
Statement of Activities
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Increases in net assets			
Support			
Federal financial assistance			
Department of Children and Family Services	\$ -	\$ 293,310	\$ 293,310
Louisiana Commission on Law Enforcement -			
VAWA	-	18,277	18,277
VOCA	-	49,666	49,666
Department of Social Services - Emergency Shelter Grant	-	19,400	19,400
Local and private assistance			
United Way	41,398	-	41,398
Department of Children and Family Services - Marriage Licenses	-	5,753	5,753
St. Mary Parish Government	-	22,000	22,000
Louisiana Bar Foundation	-	17,012	17,012
Total support	<u>41,398</u>	<u>425,418</u>	<u>466,816</u>
Revenues			
Batterer fees	34,991	-	34,991
Other	8,729	-	8,729
Rental income	3,250	-	3,250
Fundraising	11,370	-	11,370
Donations	13,999	-	13,999
Gain on asset disposition	88,876	-	88,876
Total revenue	<u>161,215</u>	<u>-</u>	<u>161,215</u>
Total support and revenue	202,613	425,418	628,031
Assets released from restrictions	<u>534,209</u>	<u>(534,209)</u>	<u>-</u>
Total increase in net assets	<u>736,822</u>	<u>(108,791)</u>	<u>628,031</u>
Decreases in unrestricted net assets			
Program services	506,839	-	506,839
Supporting services	86,609	-	86,609
Fundraising	2,304	-	2,304
Total decrease in net assets	<u>595,752</u>	<u>-</u>	<u>595,752</u>
Changes in net assets	141,070	(108,791)	32,279
Net assets (deficit), beginning of year	<u>(362,200)</u>	<u>610,751</u>	<u>248,551</u>
Net assets (deficit), end of year	<u>\$(221,130)</u>	<u>\$ 501,960</u>	<u>\$ 280,830</u>

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

CHEZ HOPE, INC.

Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services	Support Services	Fundraising	Total
Automobile	\$ 14,105	\$ 742	\$ -	\$ 14,847
Bank charges	-	1,359	-	1,359
Building and auto interest	-	22,750	-	22,750
Childrens' program	344	-	-	344
Contract labor	53,000	-	-	53,000
Depreciation expense	-	44,836	-	44,836
Dues and subscriptions	990	177	-	1,167
Fundraising expenses	-	-	2,304	2,304
Insurance	60,848	3,202	-	64,050
Miscellaneous	-	906	-	906
Office supplies and expenses	13,176	692	-	13,868
Penalties	-	2,399	-	2,399
Postage and delivery	1,940	-	-	1,940
Printing and reproduction	1,411	-	-	1,411
Professional fees	-	7,450	-	7,450
Repairs and maintenance	3,727	-	-	3,727
Salaries	277,422	-	-	277,422
Security	300	-	-	300
Shelter supplies	10,486	-	-	10,486
Taxes - payroll	24,513	-	-	24,513
Taxes - property	1,626	-	-	1,626
Telephone	14,552	765	-	15,317
Travel and entertainment	2,333	-	-	2,333
Utilities	25,287	1,331	-	26,618
Victim assistance	779	-	-	779
	<u>\$ 506,839</u>	<u>\$ 86,609</u>	<u>\$ 2,304</u>	<u>\$ 595,752</u>

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

CHEZ HOPE, INC.

Statement of Cash Flows
Year Ended June 30, 2014

Operating activities	
Revenues collected	\$ 522,224
Payments for program services	(511,975)
Payments for support services	(41,773)
Payments for fundraising	<u>(2,304)</u>
Net cash used by operating activities	<u>(33,828)</u>
Capital and related financing activities	
Payments on long-term debt	(122,497)
Proceeds from short-term debt	17,498
Payments on short-term debt	(14,472)
Proceeds from sale of capital assets	156,971
Acquisition/construction of capital assets	<u>(4,140)</u>
Net cash provided by capital and related financing activities	<u>33,360</u>
Net change in cash	(468)
Cash, beginning of year	<u>2,550</u>
Cash, end of year	<u>\$ 2,082</u>
Reconciliation of net change in net assets to net cash used by operating activities	
Change in net assets	\$ 32,279
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	44,836
Gain on asset disposal	(88,876)
(Increase) decrease in -	
Grants receivable	(7,865)
Other receivables	(9,066)
Prepaid expenses	1,456
Increase (decrease) in -	
Accounts payable	(564)
Accrued expenses	<u>(6,028)</u>
Total adjustments	<u>(66,107)</u>
Net cash used by operating activities	<u>\$ (33,828)</u>

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

CHEZ HOPE, INC.

Notes to Financial Statements

(1) Nature of Organization and Significant Accounting Policies

A. Nature of organization

Chez Hope, Inc. is a non-profit organization that provides a wide range of services to victims of domestic violence. Its core service is providing shelter and support for victims and children. In addition, a 24-hour crisis line, individual assessment, and case management are provided. Chez Hope, Inc. is also actively involved with community education including law enforcement training and support groups. Chez Hope, Inc. coordinates domestic abuse intervention through the court system and provides additional services to child victims of domestic violence.

B. Economic dependence

Chez Hope, Inc. receives a significant portion of its funding through the State of Louisiana Department of Children and Family Services. Should the state agency cut its funding or disallow items, Chez Hope, Inc. may be required to reduce its services.

C. Significant accounting policies

Financial statement presentation

The financial statements are prepared on the accrual basis of accounting. The financial statements are prepared in accordance with *FASB Accounting Standards Codification 958-205, Presentation of Financial Statements*. *FASB Accounting Standards Codification 958-205, Presentation of Financial Statements* states that a complete set of financial statements for a non-profit organization includes (1) a statement of financial position, (2) a statement of activities, (3) a statement of cash flows, and (4) notes to the financial statements. In addition, voluntary health and welfare organizations are required to present a statement of functional expenses in a matrix format that reports expenses by both function and their natural classifications.

In accordance with *FASB Accounting Standards Codification, 958-210, Balance Sheet* a statement of financial position focuses on the organization as a whole and therefore, reports total assets, liabilities, and net assets by class (unrestricted, temporarily restricted, and permanently restricted).

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Chez Hope, Inc.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the organization may use at its discretion.

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

D. Support and expenses

All revenues and support are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor 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 in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

E. Allowance for doubtful accounts

Chez Hope, Inc. considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided.

F. Property and equipment

Purchased property and equipment are recorded at cost at the date of acquisition. Property and equipment purchased with grant funds are recorded as temporarily restricted contributions. In the absence of donor stipulations regarding how long the assets must be used, the organization has adopted a policy of implying a time restriction that expires over the useful life of the assets. Chez Hope, Inc. maintains a threshold level of \$500 or more for capitalizing assets.

Depreciation is computed by the straight-line method based on the following estimated lives:

	<u>Years</u>
Vehicles	3
Furnishings and equipment	7
Leasehold improvements	10
Buildings	30

G. Compensated absences

Employees of Chez Hope, Inc. earn annual leave in varying amounts depending upon length of service. All vacation time must be used by November 30th of each year. Sick leave is earned at the rate of one day a month. Upon termination, accrued unpaid annual leave is paid to the terminated employee. No payment is made for unused sick leave. Vacation leave does not carry over. Therefore, there is no accrual in the financial statements.

H. Donated services

Chez Hope, Inc. receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activity because the criteria for recognition under *FASB Accounting Codification 958-605, Revenue Recognition* have not been satisfied.

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

I. Cash and cash equivalents

Cash and cash equivalents consist of cash held in checking accounts on deposit in a local bank. These funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2014, all funds on deposit were fully insured by FDIC insurance coverage.

For the purposes of the statement of cash flows, Chez Hope, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

J. Income taxes

Chez Hope, Inc. is recognized by the Internal Revenue Service as a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except to the extent it has unrelated business income. Income from certain activities not directly related to Chez Hope, Inc.'s tax-exempt purpose is subject to taxation. If the Chez Hope, Inc. were to be subject to unrelated business income tax, these taxes would be included in management and general expenses in the accompanying statement of activities.

Chez Hope, Inc.'s Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

K. Advertising

Advertising costs are expensed as incurred. Advertising expense was \$0 in 2014.

(2) Accounting Estimates

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

(3) Grants Receivable

Grants receivable consisted of the following at June 30, 2014:

Louisiana Commission on Law Enforcement	
VOCA	\$ 35,973
VAWA	4,134
Department of Social Services	
Emergency Shelter Grant	960
Department of Children and Family Services	<u>43,895</u>
	<u>\$ 84,962</u>

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

(4) Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 44,500	\$ -	\$ 8,000	\$ 36,500
Capital assets being depreciated				
Buildings and improvements	535,842	-	219,846	315,996
Office furniture and equipment	87,449	4,140	8,297	83,292
Vehicles	38,921	-	-	38,921
Leasehold improvements	<u>217,691</u>	<u>-</u>	<u>-</u>	<u>217,691</u>
	924,403	4,140	236,143	692,400
Accumulated depreciation	<u>(313,652)</u>	<u>(44,836)</u>	<u>(168,048)</u>	<u>(190,440)</u>
Property and equipment, net	<u>\$ 610,751</u>	<u>\$ (40,696)</u>	<u>\$ 68,095</u>	<u>\$ 501,960</u>

Depreciation expense totaling \$44,836 was recognized in the statement of activities for the year ended June 30, 2014.

State capital outlay grant

Chez Hope, Inc. was awarded a \$200,000 grant of State General Funds to renovate the Manor House. The funds will be received in the form of a reimbursement grant. As of June 30, 2014, Chez Hope, Inc. has expended \$145,707 of the grant funds.

(5) Demand Note Payable

Demand note payable consists of a revolving line of credit payable to Iberia Bank in the amount of \$25,000 with interest at 5.50% per annum payable monthly. The outstanding balance on the line of credit at June 30, 2014 is \$25,000.

(6) Short-Term Debt

Short-term debt is comprised of the following at June 30, 2014:

Payable to Prime Rate Premium Finance. Payable in monthly installments of \$1,443 bearing interest at 9.30% with final payment on October 2014. Collateralized by unexpired premiums on insurance policies

\$ 2,729

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

(7) Long-Term Debt

Long-term debt is comprised of the following at June 30, 2014:

Note payable to Iberia Bank bearing interest at 5.50% per annum, due in monthly installments of \$2,346, maturing in June 2017, secured by real property	\$ 259,880
Note payable to Iberia Bank bearing interest at 6% per annum, due in monthly installments of \$438, maturing in January 2017, secured by vehicle	12,546
Note payable to Iberia Bank bearing interest at 5.50% per annum, due in monthly installments of \$295, maturing in December 2016, secured by vehicle	<u>8,259</u>
Total long-term debt	280,685
Less: current portion	<u>22,034</u>
Long-term debt, net of current portion	<u>\$ 258,651</u>

Principal maturities of long-term debt are as follows:

<u>Year</u>	<u>Amount</u>
2015	22,034
2016	23,301
2017	20,595
2018	16,776
2019	17,723
2020-2024	104,784
2025-2027	<u>75,472</u>
	<u>\$ 280,685</u>

(8) Contingencies

Chez Hope, Inc. receives grants for specific purposes that are subject to review and audit by the agency providing the funding. Such reviews and audits could result in expenses being disallowed under the terms and conditions of the grants. In the opinion of management, such disallowances, if any, would be immaterial.

CHEZ HOPE, INC.

Notes to Financial Statements (continued)

(9) Subsequent Events

Management has evaluated subsequent events through December 22, 2014, the date which the financial statements were available for issue.

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES

C Burton Kolder, CPA*
Russell F Champagne, CPA*
Victor R Slaven, CPA*
Gerald A Thibodeaux, Jr., CPA*
Robert S Carter, CPA*
Arthur R Mixon, CPA*
Penny Angelle Scruggins, CPA
Christine C Doucet, CPA
Wanda F Arcement, CPA, CVA

Stephen J Anderson, CPA
Bryan K Joubert, CPA
Matthew E Margaglio, CPA
Allen J LaBry, CPA
Albert R Leger, CPA,PFS,CSA*
Marshall W Guidry, CPA
Stephen R Moore, Jr., CPA,PFS,CFP®,ChFC®*
James R Roy, CPA
Robert J Metz, CPA
Alan M Taylor, CPA
Kelly M Doucet, CPA
Mandy B Self, CPA
Paul L Delcambre, Jr., CPA
Kristin B Dautat, CPA
Jane R Hebert, CPA
W Jeffrey Lowry, CPA
Brad E Kolder, CPA, JD
Casey L Ardoin, CPA
Deidre L Stock, CPA
Karen V Fontenot, CPA

* A Professional Accounting Corporation

183 South Beadle Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberna, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bndge St
Breaux Bndge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

434 East Main Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddil St
Marksville LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

1428 Metro Dnve
Alexandria, LA 71301
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KCSRCPAS.COM

Retired
Conrad O Chapman, CPA* 2006

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

To the Board of Directors
Chez Hope, Inc.
Franklin, Louisiana

We have audited, in accordance with the audit 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 Chez Hope, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, 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 December 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chez Hope, Inc.'s internal control over financial reporting (internal control) to determine the auditing 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 Chez Hope, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Chez Hope, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control that we consider to be a material weakness and which is described as item 2014-001 in the accompanying schedule of audit results.

Compliance and Other Matters

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

Chez Hope, Inc.'s Response to Finding

Chez Hope, Inc.'s response to the finding identified in our audit is described in the accompanying management's response and corrective action plan for current audit findings. Chez Hope, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chez Hope, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chez Hope, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited under the provisions of Louisiana Revised Statutes 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
December 22, 2014

CHEZ HOPE, INC.

Schedule of Audit Results
Year Ended June 30, 2014

Part 1: Summary of Auditors' Results

Financial Statements

- i. An unmodified opinion has been issued on the financial statements of Chez Hope, Inc. as of and for the year ended June 30, 2014.
- ii. One deficiency in internal control over financial reporting was disclosed during the audit of the financial statements. The deficiency was considered to be a material weakness.
- iii. No material instances of noncompliance were noted during the audit of the financial statements.

Part 2: Findings Related to an Audit in Accordance with Government Auditing Standards

2014-001 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: *Internal Control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Chez Hope, Inc.'s internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.

CAUSE: Due to limited personnel performing administrative functions, the same person prepares checks, reconciles bank statements, enters information into the general ledger and prepares journal entries and posts to the general ledger.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: The cost to achieve complete segregation of duties may not be economically feasible.

Part 3: Findings and Questioned Costs Relating to Federal Programs

Chez Hope, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133. Therefore, this section is not applicable.

CHEZ HOPE, INC.

Management's Response and Corrective Action Plan for Current Audit Findings
Year Ended June 30, 2014

2014-001 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Based on the size of the operation and the cost-benefit of additional personnel, it may not be economically feasible to achieve complete segregation of duties.

MANAGEMENT'S RESPONSE: Chez Hope, Inc.'s board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed its benefits. However, management has worked to segregate duties and functions as much as possible without exposing sensitive information.

CHEZ HOPE, INC.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Internal Control –

2013-1 – Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: The cost to achieve complete segregation of duties may not be economically feasible.

STATUS: The conditions giving rise to this finding still remain as of year ended June 30, 2014. Therefore, this finding will be reported in year ended June 30, 2014 as item 2014-001.

OMB A-133 –

There were no findings previously reported under this section.