

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
BATON ROUGE, LOUISIANA

AUDITED FINANCIAL STATEMENTS
June 30, 2022 and 2021



TWRU
CPAs & Financial Advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, Louisiana

Opinion

We have audited the accompanying financial statements of Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Louisiana Health and Rehabilitation Center, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Louisiana Health and Rehabilitation Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Health and Rehabilitation Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Louisiana Health and Rehabilitation Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer, as required by Louisiana Revised Statute 24:513 (A)(3), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2022 on our consideration of the Louisiana Health and Rehabilitation Center, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting and compliance.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 29, 2022



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

(See Notes to Financial Statements)

June 30, 2022 and 2021

ASSETS

| | June 30, | |
|-------------------------------------|--------------------------|--------------------------|
| | <u>2022</u> | <u>2021</u> |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 218,176 | \$ 304,190 |
| Restricted cash | 10 | 3,541 |
| Receivables | 106,785 | 174,950 |
| Prepaid expenses | <u>55,603</u> | <u>42,517</u> |
| TOTAL CURRENT ASSETS | 380,574 | 525,198 |
| PROPERTY AND EQUIPMENT | | |
| Furniture, Fixtures and Equipment | 136,554 | 136,554 |
| Vehicles | 69,889 | 63,889 |
| Building | 1,792 | 1,792 |
| Leasehold Improvements | <u>97,083</u> | <u>86,833</u> |
| TOTAL PROPERTY AND EQUIPMENT | 305,318 | 289,068 |
| Less Accumulated Depreciation | <u>(180,748)</u> | <u>(157,188)</u> |
| NET PROPERTY AND EQUIPMENT | 124,570 | 131,880 |
| OTHER ASSETS | <u>580</u> | <u>1,041</u> |
| TOTAL ASSETS | <u>\$ 505,724</u> | <u>\$ 658,119</u> |

LIABILITIES AND NET ASSETS

| | June 30, | |
|---|------------------------------|------------------------------|
| | <u>2022</u> | <u>2021</u> |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 15,976 | \$ 10,462 |
| Accrued Payroll Liabilities | 962 | 967 |
| Accrued Insurance | 21,918 | 13,771 |
| Other Accrued Expenses | 26,506 | 26,692 |
| Amounts Held for Others | 10 | 3,541 |
| Due to Related Parties | 190,518 | 263,372 |
| Current portion of long term debt | <u>8,702</u> | <u>48,607</u> |
| TOTAL CURRENT LIABILITIES | 264,592 | 367,412 |
| LONG-TERM LIABILITIES | | |
| PPP Note Payable | - | 68,000 |
| Notes Payable, Related Party | - | 40,551 |
| Note Payable, Vehicle | 24,784 | 32,839 |
| Less current portion of long term debt | <u>(8,702)</u> | <u>(48,607)</u> |
| TOTAL LONG-TERM LIABILITIES | 16,082 | 92,783 |
| TOTAL LIABILITIES | 280,674 | 460,195 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Undesignated | <u>225,050</u> | <u>197,924</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 505,724</u> | <u>\$ 658,119</u> |

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF ACTIVITIES
(See Notes to Financial Statements)
For the Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| SUPPORT AND REVENUES | | |
| Public Support: | | |
| Reality House | \$ 794,598 | \$ 1,353,011 |
| Outpatient Substance Abuse | 257,736 | 8,845 |
| Cooperative Agreement to Benefit Homeless | - | 1,365 |
| Government Grants | 68,000 | 99,557 |
| Cash Contributions | 2,088 | 3,365 |
| Interest Income | 230 | 4 |
| Other | <u>337</u> | <u>2,919</u> |
| TOTAL SUPPORT AND REVENUES | 1,122,989 | 1,469,066 |
| EXPENSES | | |
| Program Expenses | 777,970 | 774,483 |
| General and Administrative | <u>317,893</u> | <u>234,383</u> |
| TOTAL EXPENSES | 1,095,863 | 1,008,866 |
| INCREASE IN NET ASSETS | 27,126 | 460,200 |
| NET ASSETS | | |
| BEGINNING OF YEAR | <u>197,924</u> | <u>(262,276)</u> |
| END OF YEAR | <u>\$ 225,050</u> | <u>\$ 197,924</u> |

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

(See Notes to Financial Statements)

For the Year Ended June 30, 2022

| | 2022 | | |
|-------------------------------|-------------------------|-----------------------------|---------------------|
| | Program Expenditures | General & Administrative | Total |
| Automobile Expense | \$ 12,020 | \$ - | \$ 12,020 |
| Bank Service Charges | (300) | 575 | 275 |
| Contract for Outside Services | 351,959 | 232,969 | 584,928 |
| Client Expenses | 9,326 | - | 9,326 |
| Credit Card Processing Fees | - | 905 | 905 |
| Depreciation Expense | 20,733 | 2,827 | 23,560 |
| Drug Screen | 1,078 | - | 1,078 |
| Employee Benefits | 559 | 1,788 | 2,347 |
| Furniture | 5,824 | - | 5,824 |
| Insurance | 40,857 | 50,839 | 91,696 |
| Interest Expense | 2,082 | 59 | 2,141 |
| Licenses | 4,072 | 3,572 | 7,644 |
| Miscellaneous Expenses | 454 | 124 | 578 |
| Office Expenses | 794 | 501 | 1,295 |
| Payroll Expenses | 205,811 | 95 | 205,906 |
| Pest Control Services | 2,040 | - | 2,040 |
| Postage and Delivery | 61 | - | 61 |
| Professional Fees | 3,285 | 17,000 | 20,285 |
| Repairs | 10,968 | - | 10,968 |
| Rent | 60,884 | 5,550 | 66,434 |
| Security Expenses | 455 | - | 455 |
| Storage | 5,725 | 718 | 6,443 |
| Supplies | 10,260 | 371 | 10,631 |
| Telephone | 8,746 | - | 8,746 |
| Training | 750 | - | 750 |
| Utilities | 19,527 | - | 19,527 |
| TOTAL | \$ 777,970 | \$ 317,893 | \$ 1,095,863 |

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

(See Notes to Financial Statements)

For the Year Ended June 30, 2021

| | 2021 | | |
|-----------------------------------|-------------------------|-----------------------------|-------------|
| | Program Expenditures | General & Administrative | Total |
| Advertising | \$ - | \$ 32 | \$ 32 |
| Automobile Expense | 7,141 | - | 7,141 |
| Background Check | 7,508 | 5,202 | 12,710 |
| Bank Service Charges | 220 | 679 | 899 |
| Contract for Outside Services | 375,230 | 110,425 | 485,655 |
| Client Expenses | 2,623 | - | 2,623 |
| Depreciation Expense | 11,258 | 5,614 | 16,872 |
| Drug Screen | 329 | 1,071 | 1,400 |
| Employee Benefits | 94 | 1,756 | 1,850 |
| Furniture | 1,468 | - | 1,468 |
| Insurance | 27,332 | 55,773 | 83,105 |
| Interest Expense | 2,117 | 5 | 2,122 |
| Licenses | 601 | 3,557 | 4,158 |
| Maintenance, Building and Grounds | 1,999 | 115 | 2,114 |
| Management Fees | 2,000 | 11,000 | 13,000 |
| Medical Expenses | 301 | - | 301 |
| Memberships and Dues | 242 | - | 242 |
| Miscellaneous Expenses | 161 | 500 | 661 |
| Office Expenses | 2,176 | 430 | 2,606 |
| Payroll Expenses | 226,915 | 9 | 226,924 |
| Postage and Delivery | 8 | - | 8 |
| Professional Fees | 712 | 20,035 | 20,747 |
| Repairs | 10,776 | 314 | 11,090 |
| Rent | 49,378 | 16,800 | 66,178 |
| Security Expenses | 1,064 | - | 1,064 |
| Storage | 2,037 | 1,231 | 3,268 |
| Supplies | 12,099 | (165) | 11,934 |
| Telephone | 8,773 | - | 8,773 |
| Training | 1,224 | - | 1,224 |
| Utilities | 18,697 | - | 18,697 |
| TOTAL | \$ 774,483 | \$ 234,383 | \$1,008,866 |

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

STATEMENTS OF CASH FLOWS
(See Notes to Financial Statements)
For the Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 27,126 | \$ 460,200 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 23,560 | 16,872 |
| Noncash PPP Loan Forgiveness | (68,000) | (68,000) |
| Decrease (Increase) in Assets: | | |
| Receivables | 68,165 | (104,968) |
| Prepaid expenses and other assets | (12,625) | 5,218 |
| Increase (Decrease) in Liabilities: | | |
| Accounts payable | 5,514 | (1,193) |
| Payroll liabilities | (5) | 205 |
| Accrued Insurance | 8,147 | (11,328) |
| Other liabilities | <u>(3,717)</u> | <u>4,426</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 48,165 | 301,432 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment | - | (15,355) |
| Purchase of Building and Improvements | (10,250) | - |
| Purchase of Vehicles | <u>(6,000)</u> | <u>(35,389)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | (16,250) | (50,744) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Payments) Net Proceeds on long-term debt | (48,606) | 40,434 |
| Proceeds from PPP Loans | - | 68,000 |
| Payments to related parties net | <u>(72,854)</u> | <u>(118,540)</u> |
| NET CASH USED BY FINANCING ACTIVITIES | (121,460) | (10,106) |
| NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | (89,545) | 240,582 |
| BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | <u>307,731</u> | <u>67,149</u> |
| ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | <u>\$ 218,186</u> | <u>\$ 307,731</u> |

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts in the statement of cash flows.

| | | |
|---|-------------------|-------------------|
| Cash and Cash Equivalents, Unrestricted | \$ 218,176 | \$ 304,190 |
| Restricted Cash in Current Assets | 10 | 3,541 |
| | <u>\$ 218,186</u> | <u>\$ 307,731</u> |

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Louisiana Health and Rehabilitation Center, Inc. (LHRC) is a non-profit corporation whose purpose is to provide therapeutic psychiatric programs to eliminate inappropriate and maladaptive behaviors. Their services are designed to help persons with developmental disabilities, and severe and persistent behavioral problems reach their maximum functioning level in the community.

All programs are operated in southern Louisiana and are primarily funded by the State of Louisiana agencies through the Department of Health and Hospitals and by the City of Baton Rouge through the Office of Community Development.

Basis of Accounting – The financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation – LHRC reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of LHRC, the environment in which it operates, the purposes specified in corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reporting in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. LHRC does not have any net assets with donor restrictions for the year ended June 30, 2022 and 2021.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

Cash and Cash Equivalents – For purposes of the statements of cash flows, LHRC considers all highly liquid investments, both restricted and unrestricted, with an initial maturity of three months or less to be cash equivalents.

Restricted Cash – LHRC, as custodial agent, maintains cash for clients in several of its programs. These amounts are segregated from LHRC's cash accounts.

Receivables – Bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts were used, it would not have a material effect on the financial statements. No amounts for an allowance for bad debts have been established as LHRC expects to collect the balance in full.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue With and Without Donor Restrictions – Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Property and Equipment – Purchased property and equipment is recorded at cost. Acquisitions of land, buildings, and improvements, furniture and equipment in excess of \$1,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Estimated useful lives range from 5 to 15 years for most furniture, equipment, and major improvements and 39 years for buildings.

Depreciation expense was \$23,559 and \$16,873 for years ended June 30, 2022 and 2021, respectively.

Repair and maintenance costs are expensed as incurred. When property and equipment are retired or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective year.

Income Taxes – The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501c(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made; however, if the Organization should engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization has no unrelated business income for the years ended June 30, 2022 and 2021.

Advertising – LHRC follows the policy of charging the costs of advertising to expense as incurred. Advertising costs were \$0 and \$32 for the years ended June 30, 2022 and 2021, respectively.

Expense Allocation – Directly identifiable expenses are charges to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE 2: INCOME TAXES

The Organization follows FASB Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The guidance prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of June 30, 2022, and June 30, 2021, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Generally, the tax years prior to June 30, 2019, are no longer subject to examination by federal, state, or local taxing authorities.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 3: LINE OF CREDIT

The Organization has two lines of credit with a bank for \$50,000 each. The interest rate was 2.5% and 2.35% at June 30, 2022 and 2021 for each line of credit. The lines of credit matures in November 2023. The outstanding balance at June 30, 2022 and 2021 was \$0 and \$0, respectively, for both lines of credit.

NOTE 4: LONG TERM DEBT

The following is a summary of long-term notes payable at June 30, 2022:

| | |
|---|-----------|
| Note payable in the original amount of \$32,839 with a 7.74% interest rate and payable in 48 monthly installments of \$860, with the last payment due in February 2025, secured by a vehicle. | \$ 24,784 |
|---|-----------|

| | |
|---|---------|
| Less Current Maturities of Long-Term Note Payable | (8,702) |
|---|---------|

| | |
|------------------------|------------------|
| Long-Term Note Payable | <u>\$ 16,082</u> |
|------------------------|------------------|

Maturities of long-term debt for the next three years ending June 30 are:

| | | |
|-----------|----------------------|--|
| 2023 | \$ 8,702 | |
| 2024 | 8,702 | |
| 2025 | <u>7,380</u> | |
| TOTAL | \$ <u>24,784</u> | |

Interest paid during the year ending June 30, 2022 and 2021 was \$2,131 and \$2,081, respectively.

NOTE 5: RELATED PARTY TRANSACTIONS

Johnson Management Group, LLC- LHRC contracts with Johnson Management Group, LLC, a company whose managing member is the Executive Director of LHRC. During the year ending June 30, 2022 and 2021, LHRC paid Johnson Management Group, LLC \$511,858 and \$421,645 respectively, for administrative personnel, management fees, and other various expenses under these agreements. Johnson Management Group, LLC also bills and collects rents on buildings and submits these collections to the corresponding related party. The amounts collected for the year ending June 30, 2022 and 2021 was \$16,800 and \$16,800, respectively. Additionally, LHRC owed Johnson Management Group, LLC \$123,188 and \$171,518 at June 30, 2022 and 2021, respectively.

Temple Properties, LLC- LHRC leases commercial property from Temple Properties, LLC, for the year ended June 30, 2022 and 2021. The Executive Director of LHRC is a member and manager of Temple Properties, LLC. The rental expense incurred under these leases for the year ended June 30, 2022 and 2021 was \$45,000 and \$45,000, respectively.

Louisiana Health & Rehab Options, Inc. (LHRO) – LHRC reimbursed LHRO for purchases made on LHRC's behalf related to fixed assets and operating expenses. The amount paid for the year ended June 30, 2022 and 2021 was \$0 and \$16,035, respectively. At June 30, 2022 and 2021, LHRC owed LHRO \$67,330 and \$91,854, respectively.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6: LEASES

LHRC leases one of its facilities, Reality House, from a related party for \$3,750 per month. The lease expires on June 30, 2023. Future minimum lease payments are \$45,000. Rent expense for June 30, 2022 and 2021 was \$45,000 and \$45,000, respectively.

LHRC leases office space from a related party for \$1,400 per month. The lease expires on June 30, 2024. Future minimum lease payments are \$16,800. Rent expense for June 30, 2022 and 2021 was \$16,800 and \$16,800, respectively.

LHRC leases a copier on a month-to-month basis for \$258 per month plus additional usage charges for the year ended June 30, 2022 and 2021, respectively. Lease expense was \$2,066 and \$3,088 for the year ended June 30, 2022 and 2021, respectively.

LHRC leases a storage facility on a month-to-month basis for \$565 per month. Lease expense was \$6,443 and \$3,268 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7: ECONOMIC DEPENDENCY

LHRC derives its revenues from governmental sources as earned revenue or grants, the loss of which would have a material adverse effect on LHRC. During the year ended June 30, 2022 and 2021, revenue derived from governmental sources accounted for 98% and 99% of support recorded by LHRC, respectively.

NOTE 8: CONTINGENCIES

Grants – LHRC receives federal and state contracts for specific purposes that are subject to audit by the agencies. Such audits could lead to requests for reimbursement to the agency for expenditures disallowed under terms of the contract. It is the opinion of management that LHRC's compliance with the terms of contracts will result in negligible, if any, disallowed costs.

Risk Management – Various lawsuits arise in the normal course of LHRC's business. Management believes that losses resulting from these matters, if any, will not have a material effect on the operations or financial position of LHRC.

NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects LHRC's financial assets as of the statement of financial position date, reduced by any amounts not available for general use within one year of the statement of financial date because of contractual or donor-imposed restrictions for internal designations.

| | <u>6/30/2022</u> | <u>6/30/2021</u> |
|--|------------------|------------------|
| Current Assets, excluding nonfinancial assets | \$324,971 | \$482,681 |
| Less those unavailable for general expenditures within one year: | | |
| Restricted cash | <u>(10)</u> | <u>(3,541)</u> |
| Financial Assets available to meet cash needs for | | |
| General expenditures within one year | <u>\$324,961</u> | <u>\$479,140</u> |

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 10: PPP LOAN #2

LHRC was granted a loan (the "Loan") in the aggregate amount of \$68,000 pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, which was in the form of a note dated March 19, 2021, issued by the Borrower, bears interest at a rate of 1% per annum, and has a maturity date of March 19, 2026. The note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before 24 weeks after the initial funding date. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. During the year, LHRC received notification that the loan was forgiven by the US Small Business Administration. The loan amount of \$68,000 and any interest accrued was forgiven and the amount recognized as income from government grants.

NOTE 11: SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 29, 2022, the date the financial statements were available to be issued.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD, POLITICAL SUBDIVISION HEAD OR CHIEF EXECUTIVE OFFICER
For the Years Ended June 30, 2022 and 2021

Agency Head Name: Soundra Temple Johnson, Executive Director

| | <u>2022</u> | <u>2021</u> |
|--------|-------------|-----------------|
| Salary | <u>\$ -</u> | <u>\$50,000</u> |
| Total | <u>\$ -</u> | <u>\$50,000</u> |

Mrs. Johnson stepped down as Executive Director of LHRC in 2021. Mrs. Tameka Blakes was hired as the new Executive Director subsequent to year end.



TWRU
CPAs & Financial Advisors

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

To the Board of Directors
Louisiana Health and Rehabilitation Center, Inc.
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 Louisiana Health and Rehabilitation Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Health and Rehabilitation Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Health and Rehabilitation Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Health and Rehabilitation Center, 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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Health and Rehabilitation Center, 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 financial statements. 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*.

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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 29, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Louisiana Health and Rehabilitation Center, Inc.
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Louisiana Health and Rehabilitation Center, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Louisiana Health and Rehabilitation Center, Inc.'s major federal programs for the year ended June 30, 2022. Louisiana Health and Rehabilitation Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Louisiana Health and Rehabilitation Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Louisiana Health and Rehabilitation Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Louisiana Health and Rehabilitation Center, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Louisiana Health and Rehabilitation Center, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Louisiana Health and Rehabilitation Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Louisiana Health and Rehabilitation Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Louisiana Health and Rehabilitation Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Louisiana Health and Rehabilitation Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Health and Rehabilitation Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 29, 2022



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Federal Expenditures |
|---|----------------|-------------------------|
| U.S. Department of Health and Human Services | | |
| Pass-through programs from: | | |
| Louisiana Department of Health and Hospitals | | |
| Capital Area Human Services District | | |
| * Temporary Assistance for Needy Families | 93.558 | <u>794,598</u> |
| Total | | <u>\$ 794,598</u> |
| * Major Program | | |

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditures of the Organization is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Organization has elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

The Organization did not pass through any of its federal awards to a subrecipient during the fiscal year June 30, 2022.

NOTE 5: NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the fiscal year June 30, 2022.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended June 30, 2022 and 2021

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? reported Yes None

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? reported Yes None

Type of auditors' report issued on compliance for major federal programs:

Unmodified Opinion

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? Yes No

Identification of major federal programs:

| | |
|---------------------|---|
| <u>CFDA Numbers</u> | <u>Federal Program or Cluster</u> |
| 93.558 | Temporary Assistance for Needy Families |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No



LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

Internal Control Findings-No Findings Noted

Compliance Findings-No Findings Noted

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards and the Uniform Guidance*, were noted during the audit.

LOUISIANA HEALTH AND REHABILITATION CENTER, INC.
PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

Internal Control Findings-No Findings Noted

Compliance Findings-No Findings Noted

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No findings related to internal control, which would be required to be reported in accordance with *Government Auditing Standards and the Uniform Guidance*, were noted during the audit.

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Louisiana Health and Rehabilitation Center (LHRC) and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 20, 2022. LHRC management is responsible for those C/C areas identified in the SAUPs.

LHRC has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 20, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
 - h) ***Travel and Expense Reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics

- violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
 - k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
 - l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Finding:

With regard to item "i" above, LHRC has a well written policy for proper behavior and ethics expected of employees and board members. However, the policy does not include the annual signed attestation requirement that the employees have read the ethics policy.

With regards to item "l" above, the policy neither mentions the annual employee training requirements nor the annual reporting requirements.

Management's Response:

Management will update our Policies and Procedures to include these discrepancies.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue fund. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - m) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions noted.

Bank Reconciliations

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

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged).
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No exceptions noted

Collections (excluding electronic funds transfers)

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

No exceptions noted.

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

- a) Employees responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

No exceptions noted.

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

No exceptions noted.

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

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

- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

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

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

No exceptions noted.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

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

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

No exceptions noted.

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

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

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

No exceptions noted.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not Applicable.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and:
 - a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe whether the contract was approved by the governing body/board, if required by policy or law.

- c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Not Applicable.

Payroll and Personnel

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

No exceptions noted.

17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

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

Not Applicable.

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

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable.

Not Applicable.

Debt Service

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

N/A – no debt service.

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

Not Applicable.

Fraud Notice

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

No exceptions noted.

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

Finding:

LHRC does not appear to have posted this information on the LHRC’s website.

Management’s Response:

Management will ensure that the proper notification is posted to LHRC’s website.

Information Technology Disaster Recovery/Business Continuity

25. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a) Obtain and inspect the entity’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Finding:

With regard to item “b” above, LHRC’s last backup restoration testing was completed in August 2021.

Management’s Response:

Management will ensure that backup restoration testing be conducted at least quarterly going forward.

Sexual Harassment

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

Not Applicable.

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

Not Applicable.

28. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements.
 - b) Number of sexual harassment complaints received by the agency.
 - c) Number of complaints which resulted in a finding that sexual harassment occurred.
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Not Applicable.

We were engaged by LHRC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
December 29, 2022