

ODYSSEY HOUSE LOUISIANA, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Odyssey House Louisiana, Inc.  
New Orleans, Louisiana

### ***Report on Financial Statements***

We have audited the accompanying financial statements of Odyssey House Louisiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

### ***Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Odyssey House Louisiana, Inc. as of June 30, 2018 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 Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to chief executive officer and 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*, are presented for purposes of additional analysis and are 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 on our consideration of Odyssey House Louisiana, 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 Odyssey House Louisiana, Inc.'s internal control over financial reporting and compliance.

***Hienz & Macaluso, LLC***  
**Metairie, Louisiana**  
December 10, 2018

## FINANCIAL STATEMENTS

ODYSSEY HOUSE LOUISIANA, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 1,270,996
Restricted cash	215,318
Grant and program receivables	1,390,409
Inventory	2,000
Prepaid expenses and deposits	89,807
Total current assets	<u>2,968,530</u>

Property, Buildings and Equipment:

Buildings and improvements	6,522,000
Furniture and fixtures	1,335,544
Construction in progress	394,166
Land and improvements	534,934
	<u>8,786,644</u>
Less: accumulated depreciation	<u>(3,388,910)</u>
Total property, buildings and equipment	<u>5,397,734</u>

Other Assets:

Investments	913,380
Total other assets	<u>913,380</u>

Total assets \$ 9,279,644

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable and accrued expenses	\$ 575,400
Current maturity of long-term debt	190,575
Total current liabilities	<u>765,975</u>

Long-term debt (net of current maturity) 1,798,224

Total liabilities 2,564,199

Net Assets:

Unrestricted	6,700,843
Temporarily restricted	8,525
Permanently restricted	6,077
Total net assets	<u>6,715,445</u>

Total liabilities and net assets \$ 9,279,644

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

ODYSSEY HOUSE LOUISIANA, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT:</b>				
United Way grant revenue	\$ 3,439	\$ -	\$ -	\$ 3,439
Contributions	80,507	-	-	80,507
Government grants and programs:				
Other	-	9,370	-	9,370
Health resources and services administration	-	889,344	-	889,344
State of Louisiana	-	1,084,303	-	1,084,303
Metropolitan Human Services District	-	515,686	-	515,686
Substance abuse and mental health services	-	1,273,325	-	1,273,325
UNITY of Greater New Orleans	-	760,969	-	760,969
Medicaid programs	-	6,645,804	-	6,645,804
Law enforcement assisted diversion	-	1,100	-	1,100
Investment income	18,465	-	-	18,465
Rental income	90,675	-	-	90,675
Other	62,635	-	-	62,635
Net assets released from restrictions	11,325,649	(11,325,649)	-	-
Total revenues and other support	<u>11,581,370</u>	<u>(145,748)</u>	<u>-</u>	<u>11,435,622</u>
 <b>EXPENSES:</b>				
Program services:				
Residential/detox	4,876,776	-	-	4,876,776
Outpatient/medical	2,718,777	-	-	2,718,777
Community and supporting services	1,305,094	-	-	1,305,094
Prevention	334,251	-	-	334,251
Supporting services:				
Management and general	1,880,264	-	-	1,880,264
Fundraising	104,310	-	-	104,310
Total expenses	<u>11,219,472</u>	<u>-</u>	<u>-</u>	<u>11,219,472</u>
Change in net assets	361,898	(145,748)	-	216,150
Net Assets, Beginning of Year	<u>6,338,945</u>	<u>154,273</u>	<u>6,077</u>	<u>6,499,295</u>
Net Assets, End of Year	<u>\$ 6,700,843</u>	<u>\$ 8,525</u>	<u>\$ 6,077</u>	<u>\$ 6,715,445</u>

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

ODYSSEY HOUSE LOUISIANA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

Expenses:	Program Services				Supporting Services		Total
	Residential/ Detox	Outpatient Medical	Community and Suppting Services	Prevention	Mngmnt and General	Fundraising	
Compensation	\$ 2,358,959	\$ 1,607,012	\$ 446,777	\$ 214,870	\$ 1,065,506	\$ 70,266	\$ 5,763,390
Occupancy	267,745	82,067	42,120	5,339	41,617	1,189	440,077
Equipment	19,160	18,334	75	14,240	224	-	52,033
Copying and printing	20,913	10,589	1,377	97	4,139	-	37,115
Insurance	147,444	42,927	46,421	1,004	39,836	-	277,632
Kitchen	606,328	2,832	4,662	-	1,354	-	615,176
Development	1,792	46,359	2,566	4,087	34,984	2,363	92,151
Shipping and postage	3,904	928	230	48	1,772	17	6,899
Repairs and maintenance	88,014	2,647	23,836	2,296	3,194	-	119,987
Supplies	305,900	121,875	10,352	34,149	85,314	1,162	558,752
Staff training and other	27,505	17,040	4,142	3,892	113,641	885	167,105
Staff travel	11,266	7,988	8,316	7,575	106,362	1,341	142,848
Client specific assistance	41,824	14,456	574,547	3,808	501	-	635,136
Vehicles	10,170	2,085	3,304	153	10,268	-	25,980
Contractual	658,138	633,239	47,121	42,462	344,585	346	1,725,891
Special events	-	-	-	-	-	26,291	26,291
Miscellaneous	26,480	11,946	-	231	22,623	450	61,730
Interest expense	79,631	9,066	-	-	165	-	88,862
Expense subtotal	<u>4,675,173</u>	<u>2,631,390</u>	<u>1,215,846</u>	<u>334,251</u>	<u>1,876,085</u>	<u>104,310</u>	<u>10,837,055</u>
Depreciation expense	<u>201,603</u>	<u>87,387</u>	<u>89,248</u>	<u>-</u>	<u>4,179</u>	<u>-</u>	<u>382,417</u>
Total expenses	<u>\$ 4,876,776</u>	<u>\$ 2,718,777</u>	<u>\$ 1,305,094</u>	<u>\$ 334,251</u>	<u>\$ 1,880,264</u>	<u>\$ 104,310</u>	<u>\$ 11,219,472</u>

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

ODYSSEY HOUSE LOUISIANA, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 216,150
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	382,417
Realized and unrealized appreciation on investments, net	(1,156)
Changes in operating assets and liabilities:	
Receivables - government grants and programs	603,199
Prepaid expenses and deposits	(10,716)
Accounts payable and accrued expenses	(111,187)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,078,707</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property, buildings, and equipment	(436,122)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(436,122)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on note payable	(180,184)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(180,184)</u>
Net change in cash and cash equivalents	<u>462,401</u>
Cash and cash equivalents, beginning of year	<u>1,023,913</u>
Cash and cash equivalents, end of year	<u>\$ 1,486,314</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	<u>\$ 88,862</u>
Cash and cash equivalents per the statement of financial position	
Cash and cash equivalents	\$ 1,270,996
Restricted cash	215,318
	<u>\$ 1,486,314</u>

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

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**1. Summary of Significant Accounting Policies**

Nature of Operations

Odyssey House Louisiana, Inc. (“OHL”) (the “Organization”) is a nonprofit corporation organized under the laws of the State of Louisiana. OHL was established in 1973 as a non-profit residential substance abuse treatment facility with the mission of empowering people to conquer addiction in Louisiana. Today, OHL offers a professional, structured and caring therapeutic community with comprehensive services and effective support systems that enable individuals to chart new lives and return to their communities as contributing members of society. OHL's primary source of revenue is from state and federal contracts and grant programs.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for the year ended June 30, 2018. The significant accounting policies followed in the preparation of the accompanying financial statements are described below.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Net assets, revenues and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Gain and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Restricted and Unrestricted Revenues and Support

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

Grant revenue is recognized as it is earned in accordance with approved contracts. Grants for fee income are recorded as unrestricted net assets in the statement of activities. All grantor-restricted support is provided the same treatment as contributions and reported as an increase in temporarily restricted net assets in the statements of activities.

Income Taxes

OHL is a nonprofit corporations organized under the laws of the State of Louisiana. It is exempt from both Federal income tax under Section 501(c) (3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not a private Organization as defined in Section 509 (a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 12:201 of Louisiana revised statutes. The Organization follows the provisions of the Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification. All tax returns have been appropriately filed by the Organization. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. Management evaluated the Organization's tax position and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. OHL's 2018 tax return has not been filed as of the date of the report.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all restricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Certificates of deposit are reported at cost which approximates fair value. For the year ended June 30, 2018, unrealized appreciation (depreciation) are included in the change in net assets in the accompanying statement of activities

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Investments (continued)

For the year ended June 30, 2018, realized gains, (losses) and investment income are accounted for as unrestricted, temporarily restricted or permanently restricted based on restrictions, if any, imposed by donors.

Receivables

Receivables consisted of amounts owed from various federal, state, and local government agencies for grants and fees for service programs. At June 30, 2018, management believes all receivables to be fully collectible; therefore, an allowance for doubtful accounts has not been established. Subsequent to year end, management considers collection results and writes off any year-end balances that are deemed to be not collectible.

Inventory

Inventory consists of food purchased in connection with the long-term care provided to clients and is accounted for at cost on the first-in first-out (FIFO) basis.

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost. Donations of assets are recorded at estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line basis over three to thirty years. It is the policy of the Organization to capitalize all property, buildings, and equipment that are acquired as a result of a bulk purchase with an aggregate cost that exceeds \$5,000. Other property, buildings and equipment not acquired by bulk purchase are capitalized when the acquisition cost is in excess of \$5,000. Costs incurred for repairs and maintenance are expensed as incurred.

Functional Expenses

The expenses of providing the programs and other activities have been summarized on a functional basis between program services and supporting activities in the statement of functional expenses. Some functional expenses have been allocated among program services and supporting activities based on estimates by management.

In-kind Contributions

A variety of noncash items, such as clothing, toys, books, building supplies and event tickets for auction were donated to the Organization throughout the year ended June 30, 2018. These items are recorded as contributions based on their fair market value as of the date of the contribution.

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

In-kind Contributions (continued)

For the year ended June 30, 2018, the total amount of in-kind contributions reported in the statement of activities was estimated to be \$29,859.

Compensated Absences

Full time employees are allowed to accrue paid time off based on employment level as follows: staff up to 80 hours, managers up to 100 hours, and the CEO up to 160 hours. At June 30, 2018, the liability associated with compensated absences was \$93,316 and is included in accounts payable and accrued expenses.

Use of Estimates

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

Restricted Cash

At June 30, 2018, the Organization was holding restricted cash of \$215,318. Its use is restricted to expenditures as specified by various grant agreements.

Accounting Changes

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2018. Early application of the standard is permitted. The Organization is currently assessing the impact of this pronouncement on the financial statements.

**2. Board of Directors Compensation**

The board of directors is a voluntary board and, therefore, no compensation was paid to any board member during the year ended June 30, 2018.

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**3. Line of Credit**

The Organization has a \$500,000 line of credit with JP Morgan Chase Bank. The line of credit is due on December 21, 2019 and currently carries a current variable interest rate of 7.28% per annum. The line of credit is collateralized by the agency's grant and program receivables. At June 30, 2018, the line of credit had no outstanding balance.

**4. Grant and Program Receivables**

At June 30, 2018, the Organization had the following grants and program receivables:

HRSA	\$ 291,450
LEAD	1,100
Medicaid	664,097
MHSD	24,327
SAMSHA	233,850
State of Louisiana	109,100
UNITY	<u>66,485</u>
Total	<u>\$1,390,409</u>

**5. Investments**

At June 30, 2018, investments consisted of certificates of deposit and a mutual fund.

At June 30, 2018, the certificates of deposit have a cost and fair value of \$900,000, respectively.

At June 30, 2018, the mutual fund has a cost of \$6,077 and a fair value of \$13,380. The mutual fund was created with an initial investment of \$6,077 into an endowment fund administered by the Greater New Orleans Foundation. Annually, the Greater New Orleans Foundation distributes a portion of the earnings to the Organization while maintaining the integrity of the corpus. At June 30, 2018, \$6,077 and \$7,303 of the mutual fund's balance is considered permanently and temporarily restricted, respectively.

At June 30, 2018, the cumulative appreciation on the mutual fund was \$7,303. For the year ended June 30, 2018, investment returns consisted of \$17,308 of interest, \$417 of realized gains and \$740 of unrealized appreciation.

**6. Medicaid Program Revenues**

The Organization is reimbursed on a per diem basis on rates set by the Medicaid program of the State of Louisiana. If there was an overpayment due to an error in setting the rate, the State could pursue recoupment. Since the number of beds eligible for state funding exceeded those submitted for reimbursement, management does not believe a change in rate would result in any retroactive adjustment.

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**7. Fair Value of Investments**

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of the unobservable inputs.

The values of the Organization's investments in the Greater New Orleans Foundation pooled assets are based on information provided by the Greater New Orleans Foundation. This investment is classified within Level 2 of the fair value hierarchy. There have been no changes in the methodology used as of June 30, 2018. The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**8. Concentration Risk and Contingencies**

The Organization has credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). In an effort to minimize this risk, the Organization has invested excess cash in certificates of deposits held through other financial institutions.

The Organization received the vast majority of its revenue from funds provided through state and federal contracts and grant programs. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or the state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

The Organization is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position.

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**9. Note Payable**

At June 30, 2018, the Organization had a promissory note (the “note”) outstanding with a financial institution with a balance of \$1,988,799. The note bears interest at 4.50% per annum and is collateralized by the Organization’s property. The note calls for 59 monthly payments of \$22,956 and one final monthly payment of \$1,252,189. For the year ended June 30, 2018, interest expense on the note was \$88,862.

At June 30, 2018, the estimated maturities on the note for the next four years are \$190,575, \$199,330, \$208,487 and \$1,390,407, respectively. The note matures on March 9, 2022.

**10. Retirement Plan**

The Organization has a 401(k) Profit Sharing Plan that provides for discretionary matching contributions determined by the employer covering all full-time employees at least twenty-one years of age with one year of eligible experience. For the year ended June 30, 2018, contributions to the plan were \$108,221.

**12. Date of Management’s Review**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 10, 2018 and determined that no events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

ODYSSEY HOUSE LOUISIANA, INC.  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER  
PAYMENTS TO CHIEF EXECUTIVE OFFICER  
FOR THE YEAR ENDED JUNE 30, 2018

Agency Head Name: Ed Carlson

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 236,979
Benefits-health insurance	1,317
Benefits-retirement	13,656
Car allowance	7,800
Reimbursements	<u>3,920</u>
Total	\$ <u>263,672</u>

See accompanying independent auditor's report.



**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  
Odyssey House Louisiana, Inc.  
New Orleans, Louisiana

We have audited, 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, the financial statements of the Odyssey House Louisiana, Inc. (a nonprofit organization) (the “Organization”) which comprise the statement of financial position as of June 30, 2018, 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 10, 2018.

**Internal Control Over Financial Reporting**

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

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

***Hienz & Macaluso, LLC***  
**Metairie, Louisiana**  
December 10, 2018



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

To the Board of Directors  
Odyssey House Louisiana, Inc.  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited Odyssey House Louisiana, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Organization 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, 2018.

### ***Report on Internal Control Over Compliance***

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

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

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

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

***Hienz & Macaluso, LLC***  
**Metairie, Louisiana**  
December 10, 2018

ODYSSEY HOUSE LOUISIANA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Grant Number</i>	<i>Federal Expenditures</i>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Funds passed through Unity of Greater New Orleans, Inc.</i>			
Continuum of Care Program	14.267	LA0086L6H031609	\$ 13,172
Continuum of Care Program	14.267	LA007316H031306	<u>742,806</u>
<i>Total Department of Housing and Urban Development</i>			<u>755,978</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Direct Award</i>			
Health Center Program (Community Health Centers, Migrant Health Centers,			
Health Care for the Homeless, and Public Housing Primary Care)	93.224	H80CS28362	888,084
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SP080326-01	137,939
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79DP021824-02	268,414
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79TI080020-02	474,654
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79TI026383-02	392,271
<i>Funds passed through the State of Louisiana</i>			
<i>Department of Health and Hospitals</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	1,782
Block Grants for Prevention and Treatment of Substance Abuse	93.959	17331	<u>340,795</u>
<i>Total Department of Health and Human Services</i>			<u>2,503,939</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<b>\$ <u>3,259,917</u></b>

The accompanying notes are an integral part of this schedule.

ODYSSEY HOUSE LOUISIANA, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2018

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Odyssey House Louisiana, Inc. (the Organization). The Organization's reporting entity is defined in note 1 to the financial statements for the year ended June 30, 2018. All federal awards received from federal agencies are included on the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the financial statements for the year ended June 30, 2018.

**(3) Relationship to Financial Statements**

Federal awards are included in government grants and programs in the statements of activities and changes in net assets for the year ended June 30, 2018.

**(4) De Minimus Cost Rate**

During the year ended June 30, 2018, the Organization did not elect to use the 10% de minimus cost rate covered in §200.414 of the Uniform Guidance.

ODYSSEY HOUSE LOUISIANA, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2018

(1) Summary of the Independent Auditor's Results

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? no

Noncompliance material to financial statements noted: no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? no

Type of auditor's report issued on compliance for major programs: unmodified

Did the audit disclose any audit findings which the independent auditor is required to report under the Uniform Guidance? no

Identification of major programs:

U.S Department of Housing and Urban Development  
 Continuum of Care Program 14.267

U.S. Department of Health and Human Services:  
 Substance Abuse and Mental Health Services Projects of  
 Regional and National Significance 93.243  
 Block Grants for Prevention and Treatment of  
 Substance Abuse 93.959

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

Auditee qualified as a low-risk auditee under the Uniform Guidance: yes

2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards* none

3) Findings and Questioned Costs relating to Federal Awards: none

ODYSSEY HOUSE LOUISIANA, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS

None reported.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS

None reported.

SECTION III MANAGEMENT LETTER

None reported.

**LOUISIANA LEGISLATIVE AUDITOR  
STATEWIDE AGREED-UPON PROCEDURES**



## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Odyssey House Louisiana, Inc.  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Odyssey House Louisiana, Inc. ("Organization") and the Louisiana Legislative Auditor ("LLA") on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures ("SAUPs") for the fiscal period July 1, 2017 through June 30, 2018. The Organization's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### **Bank Reconciliations**

3. Obtain a listing of client 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<sup>7</sup> (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 selected each account, and observe that:

Management provided us the listing, represented to us that the listing was complete and identified the main operating account.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

The procedure was performed as indicated and no exceptions were noted.

- 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

The procedure was performed as indicated and no exceptions were noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

This procedure is not applicable as no “stale” dated items as described above were noted.

### 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:

Management provided us the listing and represented to us that the listing was complete.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

This procedure is not applicable as the selected contracts were not required by law to be bid.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Per the Organization’s policy, board approval is accomplished by the board giving their approval to vendor being added to the Organization's approved vendor list.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

This procedure is not applicable as no contract amendments were noted.

- 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 that the invoice and related payment agreed to the terms and conditions of the contract.

The procedure was performed as indicated and no exceptions were noted.

**Other**

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.

This procedure is not applicable as there were no misappropriations of public funds and assets during the fiscal period.

24. Observe that 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.

The procedure was performed as indicated and no exceptions were noted.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

***Hienz & Macaluso, LLC***  
**Metairie, Louisiana**  
December 10, 2018