O'BRIEN HOUSE

BATON ROUGE, LOUISIANA

DECEMBER 31, 2018

L.A. CHAMPAGNE &Co. LLP
Certified Public Accountants

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L.A. CHAMPAGNE &Co. LLP
Certified Public Accountants

Member of the Private
Companies Practice
Section of the American
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
O'Brien House

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of O'Brien House and its subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of O'Brien House and its subsidiaries as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years 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 consolidated financial statements as a whole. The accompanying supplemental information schedule of compensation, benefits, and other payments to an agency head on page 22 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 consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 June xx, 2019, on our consideration of O'Brien House and its subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 O'Brien House's internal control over financial reporting and compliance.

L.A. Champagne & Co., LLP

June 28, 2019
Baton Rouge, Louisiana

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Years Ended December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	$ 341,011	$ 242,568
Receivables:		
Grants receivable	14,495	51,715
Program services receivable	5,265	8,939
	19,760	60,654
Prepaid expenses	52,277	52,564
Total current assets	413,048	355,786
PROPERTY AND EQUIPMENT (NET)	1,538,894	1,536,514
OTHER ASSETS		
Receivable from affiliate	80,362	63,744
Donated vehicles held for sale	-	1,525
Loans receivable from affiliate	876,627	809,818
	956,989	875,087
Total assets	$ 2,908,931	$ 2,767,387

Continued

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Short-term loan obligations	$ 43,330	$ 45,114
Current portion of long term debt	73,770	31,979
Accounts payable	58,876	75,869
Payroll withholding payable	2,509	7,921
Accrued salaries	45,532	40,295
Accrued compensated absences	28,934	26,068
Client deposits	4,926	4,526
Total current liabilities	257,877	231,772
LONG-TERM LIABILITIES		
Long term debt, net of current maturities	464,971	538,726
NET ASSETS		
Without donor restrictions	1,896,929	1,751,616
With donor restrictions	289,154	245,273
	2,186,083	1,996,889
Total liabilities and net assets	$ 2,908,931	$ 2,767,387

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Federal contracts and grants	$ 177,347	$ -	$ 177,347	$ 397,580	$ -	$ 397,580
United Way allocation	73,328	-	73,328	45,470	-	45,470
Grants	115,514	75,000	190,514	119,477	-	119,477
Contributions	71,365	-	71,365	49,786	-	49,786
Non cash contributions	481,194	-	481,194	409,994	-	409,994
Program services and rent	1,465,316	-	1,465,316	1,073,507	-	1,073,507
Special events	64,392	-	64,392	76,494	-	76,494
Interest income	66,809	-	66,809	61,718	-	61,718
Fee from affiliate	16,618	-	16,618	16,442	-	16,442
Other income	8,822	-	8,822	217,376	-	217,376
	2,540,705	75,000	2,615,705	2,467,844	-	2,467,844
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	31,119	(31,119)	-	32,507	(32,507)	-
	2,571,824	43,881	2,615,705	2,500,351	(32,507)	2,467,844
EXPENSES						
Program expenses	2,234,330	-	2,234,330	1,945,595	-	1,945,595
Management and general expenses	148,184	-	148,184	153,843	-	153,843
Fundraising expenses	43,997	-	43,997	44,411	-	44,411
	2,426,511	-	2,426,511	2,143,849	-	2,143,849
Increase (decrease) in net assets	145,313	43,881	189,194	356,502	(32,507)	323,995
Net assets - beginning of year	1,751,616	245,273	1,996,889	1,395,114	277,780	1,672,894
Net assets - end of year	$ 1,896,929	$ 289,154	$ 2,186,083	$ 1,751,616	$ 245,273	$ 1,996,889

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 189,194	$ 323,995
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,907	56,185
Bad debt expense	259,478	104,606
Donation of land	-	(40,000)
Amortization of imputed interest on loans payable	30,779	32,507
Amortization of discount on loans receivable	(40,044)	(36,162)
Increase in accrued interest on loans receivable	(26,765)	(25,556)
Decrease (increase) in receivables	(218,584)	93,973
Increase in receivable from affiliate	(16,618)	(16,443)
Decrease in prepaid expense	287	1,200
Gain on disposition of equipment and furnishings	(4,613)	-
Change in donated assets	1,525	-
Decrease in accounts payable	(16,993)	(78,072)
Increase (decrease) in payroll withholding payable	(5,412)	1,472
Increase in accrued salaries	5,237	17,445
Increase (decrease) in accrued compensated absences	2,866	(2,946)
Net cash provided by operating activities	223,244	432,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment and furnishings acquired	(65,287)	(68,530)
Proceeds from sale of equipment and furnishings	4,613	-
Net cash used in investing activities	(60,674)	(68,530)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on line-of-credit	(6,574)	(40,684)
Principal advances on short-term debt	43,330	38,354
Principal payments on short-term debt	(38,540)	(55,426)
Principal payments on long-term debt	(62,743)	(117,548)
Increase in client deposits	400	700
Net cash used in financing activities	(64,127)	(174,604)
NET INCREASE IN CASH	98,443	189,070
Cash and cash equivalents - beginning of year	242,568	53,498
Cash and cash equivalents - end of year	$ 341,011	$ 242,568

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and contract labor	$ 911,146	$ 89,820	$ 18,961	$ 1,019,927	$ 889,464	$ 88,090	$ 16,690	$ 994,244
Payroll taxes	64,018	6,474	1,439	71,931	60,019	6,069	1,349	67,437
Employee benefits	24,136	2,441	542	27,119	35,412	3,581	796	39,789
Food and beverage	550,834	-	-	550,834	396,665	-	-	396,665
Occupancy	134,432	14,937	-	149,369	127,283	15,732	-	143,015
Insurance	55,260	6,140	-	61,400	58,913	7,281	-	66,194
Tax and licenses	668	74	-	742	1,342	166	-	1,508
Bad debts	259,478	-	-	259,478	104,606	-	-	104,606
Supplies	16,945	4,964	-	21,909	53,186	6,573	-	59,759
Interest	30,247	3,361	-	33,608	39,802	4,919	-	44,721
Information technology and website	16,006	1,779	-	17,785	9,947	1,229	-	11,176
Accounting and audit	31,566	3,507	-	35,073	28,227	3,489	-	31,716
Vehicle	10,081	1,120	-	11,201	6,206	767	-	6,973
Drug testing supplies	9,535	1,059	-	10,594	28,256	3,492	-	31,748
Special events	-	-	23,055	23,055	-	-	25,576	25,576
Equipment lease and maintenance	6,322	703	-	7,025	6,566	812	-	7,378
Client assistance	7,412	-	-	7,412	5,506	-	-	5,506
Telephone	1,010	112	-	1,122	1,343	166	-	1,509
Dues and memberships	5,434	604	-	6,038	6,141	759	-	6,900
Miscellaneous	-	-	-	-	-	-	-	-
Bank charges	109	12	-	121	93	12	-	105
Printing	-	-	-	-	-	-	-	-
Mileage	1,407	156	-	1,563	872	108	-	980
Pest control	3,739	416	-	4,155	7,060	873	-	7,933
Postage	454	50	-	504	274	34	-	308
Other expenses	37,475	4,164	-	41,639	28,407	3,511	-	31,918
Depreciation	56,616	6,291	-	62,907	50,005	6,180	-	56,185
Total expenses	$ 2,234,330	$ 148,184	$ 43,997	$ 2,426,511	$ 1,945,595	$ 153,843	$ 44,411	$ 2,143,849

See accompanying notes to financial statements

O'BRIEN HOUSE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities
O'Brien House (the "Organization") is a Louisiana non-profit corporation whose mission is to contribute to a sustained reduction in the use and abuse of alcohol and other chemicals proven to be hazardous to human health and detrimental to community well-being. The Organization was established in August, 1971. Its facilities are located near downtown Baton Rouge.

In 2006, O'Brien House Management, Inc., a Corporation, was organized for the purpose of being the managing member of O'Brien House, SRO, LLC. The Organization is its sole shareholder.

Basis of accounting
The Organization prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when goods or services are received and the obligation for payment is incurred.

Basis of presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Organization 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 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 the Organization, the environment in which it operates, the purposes specified in it 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.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

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 reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements include the accounts of O'Brien House, and O'Brien House Management, Inc. All intercompany accounts and transactions have been eliminated.

Contributions and grants
Contributions received, grants, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports cash gifts, grants and contributions of other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or grants, or if they are designated as support for future periods.

When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Sources of revenue
The Organization received federal grants, passed through the State of Louisiana, Parish of East Baton Rouge and City of Baton Rouge for the purpose of providing supportive housing programs. They also received grants for the purpose of providing treatment to individuals for substance abuse disorders.

The Organization is also a participating agency of and receives a portion of its annual funding from the Capital Area United Way. Other principal sources of revenues are private grants, contributions from its annual appeal, special events, donations and client service fees.

Donated personal services
The value of donated personal services provided has not been recorded in the accompanying financial statements. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in the performance of its programs and various committee activities.

Donated food and supplies
Food and supplies donated to the Organization are recorded at fair market value on the date received and are included in non cash contributions and charged out as appropriate to various expenses. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Actual results could differ from those estimates.

Cash flow statement
For the purposes of the statement of cash flows, the organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash paid for interest was $2,126 and $7,426 for 2018 and 2017, respectively.

Accounts receivable
Accounts receivable are written-off under the direct write-off method whereby bad debts are recorded when a receivable is deemed uncollectible. Subsequent collections are reported in miscellaneous income. In this case, the resulting charge to bad debt expense does not differ significantly from that expensed under the allowance method prescribed by generally accepted accounting principles.

Prepaid expenses
Insurance and similar services which extend benefits over more than one accounting period have been recorded as prepaid.

Property and equipment
Acquisitions of property and equipment are capitalized and are stated at cost less accumulated depreciation with depreciation being calculated on the straight-line basis over the estimated useful life of the assets as follows:

Buildings	20-40 yrs
Equipment	5 -10 yrs
Furniture	7 yrs
Vehicles	5 yrs

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation, and any resulting gain or loss is reflected in operations.

Fair value – loan receivables and payables
Certain loan receivables and payables with a stated interest rate that is less than its market rate are carried at their approximate fair value. The fair value is based on the Wall Street Journal prime rate in effect at inception, for the loans with no scheduled payments. For the loans with a fixed payment schedule, the fair value is based on the estimated borrowing rate in effect at the time the loans are fully funded.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax status
The Organization is exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation under IRC 170(b)(1)(A)(vi). Accordingly, no provision for income taxes has been included in the financial statements.

The Organization accounts for income taxes in accordance with the income tax accounting guidance included in the FASB ASC. Under this guidance, the Organization may recognize the tax effects from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by tax authorities. The Organization has evaluated its tax positions regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

The Organization files a United States return of organization exempt from income tax. The Organization is also subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

Functional allocation of expenses
The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs are charged specifically to a program or function and the remaining costs are allocated among programs, management, and fundraising based upon estimates of staff time devoted to these functions or other appropriate allocation bases.

Reclassification
Certain reclassifications have been made to the 2017 financial statements and notes in order for them to conform to the current year presentation.

Change in Accounting Principles
On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no impact to total net assets.

B: ECONOMIC DEPENDENCY

The Organization receives the majority of its funds provided through government grants and contracts. If significant budget cuts are made at the federal/state level, the amount of funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

Significant among those grants and contracts are the following, reflecting their percent of total revenues provided in 2018 and 2017:

	2018	2017
Medicaid	49%	18%
Department of Health and Human Services	3%	25%

C: CONCENTRATION OF CREDIT RISK

Included in receivables are amounts due from the federal government and the State of Louisiana. The majority of the other receivables are service fees due from local clients. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the strength of the local economy and the availability of federal and state governmental funding for grant programs.

The Organization maintains deposits in a local financial institution with balances at times that may exceed the $250,000 federal insurance provided by the Federal Deposit Insurance Corporation.

D: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation:

	2018	2017
Land	$ 105,000	$ 105,000
Buildings	1,839,906	1,831,207
Vehicles	43,813	50,268
Equipment	127,329	120,946
Furniture	99,832	93,439
	2,215,880	2,200,860
Less accumulated depreciation	(676,986)	(664,346)
	$ 1,538,894	$ 1,536,514

Depreciation expense for 2018 and 2017 was $62,907 and $56,185, respectively.

E: RESTRICTIONS OF NET ASSETS

Net assets with donor restrictions at December 31, 2018 and 2017, consist of the unamortized portion of imputed interest on below market rate loans in the amount of $214,154 and $245,273, respectively. This imputed interest was previously recorded as contributions with donor restrictions. Amounts are released from restriction as the imputed interest is expensed over the terms of the loans.

The Organization also received grant funds with donor restrictions that have not yet been released from restriction as of December 31, 2018 from the Huey & Angelina Wilson Foundation (Wilson Foundation) in the amount of $75,000.

Net assets were released from restrictions by incurring expenses satisfying the time and purpose of restrictions as follows:

	2018	2017
Purpose restriction accomplished:		
Imputed interest	$ 31,119	$ 32,507
Total restrictions released	$ 31,119	$ 32,507

F: SHORT-TERM LOAN OBLIGATIONS

Short-term loan obligations at December 31, 2018 and 2017 consisted of:

	2018	2017
Bank line of credit in the amount of $52,000, unsecured, expiring on demand, bearing interest at the bank's index rate of 6.9%, principal and interest payable monthly.	$ -	$ 6,573
Non interest bearing loan, payable in monthly installments of $4,246 (2018) and $4,261 (2017), secured by unexpired insurance premiums.	43,330	38,541
	$ 43,330	$ 45,114

G: LONG-TERM DEBT

Long-term debt at December 31, 2018 and 2017 consisted of the following:

	2018		
	Gross Balance	Discount	Net
Mortgage loan at 0% (imputed interest rate of 6.75%) payable in monthly installments of $792, commencing July, 2001.	$ 25,016	$ 1,952	$ 23,064
CDBG loan at 0% (imputed interest rate of 6%) payable in annual installments of $20,850, commencing January, 2012. Effective July, 2014 payable in monthly installments of $1,737.	281,576	84,628	196,948
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of $2,004, commencing January, 2012.	324,174	103,112	221,062
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of $2,500, commencing January, 2019.	100,000	24,462	75,538
Capital One term loan at 7.5% interest payable in 60 monthly installments of $890, commencing April 2016	22,129	-	22,129
	$ 752,895	$ 214,154	538,741
Less current portion			73,770
Long-term portion			$ 464,971

G: LONG-TERM DEBT (Continued)

	2017		
	Gross Balance	Discount	Net
Mortgage loan at 0% (imputed interest rate of 6.75%) payable in monthly installments of $792, commencing July, 2001.	$ 34,516	$ 3,709	$ 30,807
CDBG loan at 0% (imputed interest rate of 6%) payable in annual installments of $20,850, commencing January, 2012. Effective July, 2014 payable in monthly installments of $1,737.	302,426	96,047	206,379
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of $2,004, commencing January, 2012.	348,224	116,780	231,444
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of $2,500, commencing January, 2019.	100,000	28,737	71,263
Capital One term loan at 7.5% interest payable in 60 monthly installments of $890, commencing April 2016.	30,812	-	30,812
	$ 815,978	$ 245,273	570,705
Less current portion			31,979
Long-term portion			$ 538,726

G: LONG-TERM DEBT (Continued)

Scheduled principal reductions for the next five year and thereafter are as follows:

2019	$ 45,045
2020	47,207
2021	38,527
2022	31,759
2023	33,676
Thereafter	342,527
	$538,741

Interest expense on all loan obligations for the year ended December 31, 2018 and 2017 was $33,608 and $44,721, respectively.

In 2001 a rehabilitation loan with the City of Baton Rouge-Parish of East Baton Rouge was converted into a mortgage loan with payments of $792 per month. The original face value of the note was $190,000, with a term of 20 years and a stated interest rate of zero percent (0%). This note is reported in the accompanying financial statements at its fair value of $23,064 and $30,807, for 2018 and 2017, respectively, using an imputed rate of 6.75%.

From 2004 to 2010, the City-Parish of East Baton Rouge advanced funds totaling $996,762 under three separate programs for the construction of facilities. The notes are to be repaid at 0% interest with terms from 40 to 240 months. The notes were discounted using an imputed rate of 6%. The original discount for these loans in the amount of $475,415, was recognized as a contribution with donor restrictions in 2010.

H: LEASE COMMITMENTS

The Organization leases certain office equipment under an agreement classified as operating lease. The lease requires total monthly payments of $150 and expired in 2018. Rent expense for 2018 and 2017 was $2,134 and $2,738, respectively. The Organization continued to lease the equipment during 2018 on a month to month basis and entered into a new lease in 2019.

The Organization also rents equipment on a periodic basis as needed.

I: RELATED PARTY TRANSACTIONS

The Organization is the sole shareholder of O'Brien House Management, Inc., which owns .01 % and is the managing member of O'Brien House SRO. L.L.C. (the SRO).

In prior years, the Organization loaned $900,000 to the SRO for the purpose of constructing residential facilities. The loans were made at 4.73% on $400,000 and 0% on $500,000. No repayment is required as long as the facilities are used in compliance with the operating agreement, unless the SRO makes a profit. On December 31, 2022 the Organization shall have the right to purchase the residential facilities for the outstanding balance of the note.

The loans at December 31, 2018 and 2017 are as follows:

	Loan A	Loan B	Total
Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	(80,121)	(135,870)	(215,991)
Accrued interest	192,618	-	192,618
Payments applied	-	-	-
Present Value - December 31, 2018	$ 512,497	$ 364,130	$ 876,627
Loan amount	$ 400,000	$ 500,000	$ 900,000
Amortized discount	(92,414)	(163,621)	(256,035)
Accrued interest	183,425	-	183,425
Payments applied	(17,572)	-	(17,572)
Present Value - December 31, 2017	$ 473,439	$ 336,379	$ 809,818

Discount amortized in 2018 and 2017 amounts to $66,809 and $61,718, respectively, and is included in interest income.

Under provisions of the SRO's Amended and Restated Operating Agreement, the SRO shall pay to O'Brien House Management, Inc. a management fee in the initial amount of $5,500, cumulative out of available cash flows, to compensate the managing member for managing the SRO's operations and assets and coordinating preparation and filing of reports and returns with the Louisiana Housing Finance Agency, various tax authorities and others. The Company Management Fee increases by 3% each year.

For the year ended December 31, 2018 and 2017, the fee amounted to $8,320 and $8,078 respectively. At December 31, 2018 and 2017, O'Brien House Management, Inc. was owed a total of $80,362 and $63,744, respectively, in accumulated management fees and utility reimbursements.

J: CONTINGENCIES

The Organization receives a portion of its revenues from government grants and contracts, all of which are subject to audit by the governments. The ultimate determination of amounts received under these programs generally is based upon allowable cost reported to and are subject to audit by the government. Until such audits, if any, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Organization is named as a defendant in a lawsuit seeking unspecified damages. The Organization intends to vigorously defend this lawsuit and claim but management is unable to evaluate the outcome of this matter or estimate the amount of any liabilities that may result from an unfavorable resolution.

K: FAIR VALUE MEASUREMENTS

Fair value guidance in the *Fair Value Measurements and Disclosures* topic of the FASB ASC requires the use of valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Fair value measurements are reported in a fair value hierarchy which is determined by the lowest level input that is significant to the fair value measurement in its entirety. The hierarchy is separated into three levels, which are:

Level 1 – inputs are based upon unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2 – inputs are based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

K: FAIR VALUE MEASUREMENTS (Continued)

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Organization's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Below market rate loans receivable
These loans are reported at fair value utilizing Level 3 inputs. Fair value measurements are calculated using discounted cash flows.

Below market rate loans payable
These loans are reported at fair value utilizing Level 3 inputs. Fair value measurements are calculated using discounted cash flows.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018 and 2017, are as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2018				
Below market rate loans receivable	$ 876,627	$ -	$ -	$ 876,627
December 31, 2017				
Below market rate loans receivable	$ 809,818	$ -	$ -	$ 809,818
December 31, 2018				
Below market rate loans payable	$ 516,612	$ -	$ -	$ 516,612
December 31, 2017				
Below market rate loans payable	$ 539,893	$ -	$ -	$ 539,893

K: FAIR VALUE MEASUREMENTS (Continued)

The table below presents the changes in fair value for the year ended December 31, 2018 and 2017, in Level 3 instruments that are measured at fair value on a recurring basis.

	Loans Receivable	Loans Payable
Balance at December 31, 2016	$ 748,100	$ 616,886
Principal reductions	-	(109,500)
Amortized interest	-	32,507
Accrued interest	25,556	-
Amortized discount	36,162	-
Balance at December 31, 2017	$ 809,818	$ 539,893
Principal reductions	-	(54,400)
Amortized interest	-	31,119
Accrued interest	26,765	-
Amortized discount	40,044	-
Balance at December 31, 2018	$ 876,627	$ 516,612

L: NON-CASH CONTRIBUTIONS

During the years ended December 31, 2018 and 2017, the Organization received the following non cash contributions that have been reflected as such in the accompanying statement of activities. The corresponding expenses are included in the schedule of Functional Expenses in the appropriate categories.

	2018	2017
Food	$ 481,194	$ 343,384
Land	-	40,000
Household items	-	26,610
Total in kind contributions	$ 481,194	$ 409,994

M: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities in 2018 and 2017.

N: DEEPWATER HORIZON SETTLEMENT

The Organization received a settlement in of its claim related to the BP Deepwater Economic Property Damages Settlement Program, as compensation for damages arising out of the Deepwater Horizon event that occurred in 2010. Net proceeds of the claim totaled $203,002 and is included as a component of other income in the statement of activities for the year ended December 31, 2017.

O: LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash	$ 341,011
Grants receivable	14,495
Program services receivable	5,265
Less donor imposed restrictions	(75,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 285,771

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments.

P: SUBSEQUENT EVENTS

Subsequent events were evaluated through June 28, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

O'BRIEN HOUSE
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AN AGENCY HEAD

December 31, 2018

Agency Head Name:	Todd Hamilton Executive Director
Purpose	**Amount**
Salary	$ 72,249

Robert L. Stamey, CPA
Kimberly G. Sanders, CPA, MBA
Neal Fortenberry, CPA
Wayne Dussel, CPA, CFE

Alvin J. Callais, CPA

Jonathan Clark, CPA

L.A. CHAMPAGNE &Co. LLP
Certified Public Accountants

Member of the Private Companies Practice Section of the American Institute of CPAs

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*

The Board of Directors
O'Brien House

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 consolidated financial statements of O'Brien House and its subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered O'Brien House'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of O'Brien House'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of O'Brien House's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 O'Brien House's consolidated financial statements are free of 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 consolidated 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 instance of noncompliance or other matter 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 O'Brien House's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering O'Brien House's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

L. A. Champagne + Co., LLP

Baton Rouge, Louisiana
June 28, 2019

O'BRIEN HOUSE
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

A: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of O'Brien House.

2. No significant deficiency or material weaknesses in internal controls, relating to the audit of the consolidated financial statements are included in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards.*"

3. No instance of noncompliance material to the financial statements of O'Brien House was disclosed during the audit.

4. A management letter was not issued.

B: FINDINGS - FINANCIAL STATEMENTS AUDIT

None

O'BRIEN HOUSE
SCHEDULE OF CORRECTIVE ACTION TAKEN
ON PRIOR YEAR FINDINGS
Year Ended December 31, 2018

None noted

Robert L. Stamey, CPA
Kimberly G. Sanders, CPA, MBA
Neal Fortenberry, CPA
Wayne Dussel, CPA, CFE

Alvin J. Callais, CPA

Jonathan Clark, CPA

L.A. CHAMPAGNE &Co. LLP
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of O'Brien House and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by O'Brien House 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 January 1, 2018 through December 31, 2018. The Entity'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:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that 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

      Written policies and procedures were obtained and do address the functions noted above.

   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.

      Written policies and procedures were obtained and do address the functions noted above.

   c) ***Disbursements***, including processing, reviewing, and approving

      Written policies and procedures were obtained and do address the functions noted above.

   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).

Written policies and procedures were obtained and do address the functions noted above.

e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and do address the functions noted above.

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.

Written policies and procedures were obtained and do address the functions noted above.

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).

Written policies and procedures were obtained and do address the functions noted above.

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Written policies and procedures were obtained and do address the functions noted above.

i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

O'Brien house is a non-profit and this step is not applicable.

j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

O'Brien House is a non-profit and this step is not applicable.

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).

   Management provided a listing of locations that processes payments for the fiscal period and representation that the listing is complete.

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.

      Management provided a list of employees involved in non-payroll purchasing and the payment function and noted that at least two employees are involved in initiating, approving, and placing an order.

   b) At least two employees are involved in processing and approving payments to vendors.

      Management provided a list of employees involved in non-payroll purchasing and the payment function and noted that 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.

      Management provided a list of employees involved in non-payroll purchasing and the payment function and noted that the finance manager is responsible for adding/modifying vendor files and there is a procedure in place for another employee/contractor to periodically review 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.

      Management provided a list of employees involved in non-payroll purchasing and the payment function and noted that signed checks are given to the finance manager, who is responsible for processing payments to be mailed.

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 that the disbursement matched the related original invoice/billing statement.

       Management provided non-payroll disbursements and representation that the list was complete. Randomly selected 5 disbursements and obtained supporting documentation and noted that the disbursements matched the related invoice.

    b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

       Management provided non-payroll disbursements and representation that the list was complete. Randomly selected 5 disbursements and obtained supporting documentation *and noted that the disbursements documentation included evidence of segregation of duties.*

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.

    Management provided a list of all active credit cards for the fiscal period and representation that the list was complete.

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 that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

       Obtained monthly statements and supporting documentation for selected cards and noted that the monthly statement and supporting documentation was reviewed and approved by someone other than the authorized card holder.

    b) Observe that finance charges and late fees were not assessed on the selected statements.

       Obtained monthly statements and supporting documentation for selected cards and noted that no credit card was assessed finance charges.

13. Using the monthly statements or combined statements selected under #12 above, <u>excluding fuel cards</u>, 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 that 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).

    Randomly selected 10 transactions from the monthly statements selected under step 12 and noted that all credit card transactions were supported by an original itemized receipt.

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.

L.A. Champagne & Co., LLP

L.A. Champagne & Co., L.L.P.
Baton Rouge, LA
June 28, 2019