

ODYSSEY HOUSE LOUISIANA, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019 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.

Emphasis of Matter

As described in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standard Update (“ASU”) No. 2016-14-*Presentation of Financial Statements of Not-for-Profit Entities*: this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

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 19, 2019 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 19, 2019

FINANCIAL STATEMENTS

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 590,333
Restricted cash	112
Grant and program receivables	1,879,366
Inventory	24,561
Prepaid expenses and deposits	151,551
Total current assets	2,645,923
Property, Buildings and Equipment:	
Buildings and improvements	6,656,916
Furniture, fixtures and equipment	2,100,141
Construction in progress	489,079
Land and improvements	534,934
	9,781,070
Less: accumulated depreciation	(3,745,598)
Total property, buildings and equipment	6,035,472
Other Assets:	
Investments	806,502
Total other assets	806,502
Total assets	\$ 9,487,897

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable and accrued expenses	\$ 807,337
Current maturity of long-term debt	199,104
Total current liabilities	1,006,441
Long-term debt (net of current maturity)	1,601,063
Total liabilities	2,607,504
Net Assets:	
Without donor restrictions	6,874,316
With donor restrictions	6,077
Total net assets	6,880,393
Total liabilities and net assets	\$ 9,487,897

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

ODYSSEY HOUSE LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT:			
United Way grant revenue	\$ 759	\$ -	\$ 759
Contributions	86,375	-	86,375
Government grants and programs:			
Other	-	2,370	2,370
Health resources and services administration	-	1,046,009	1,046,009
State of Louisiana	-	2,119,570	2,119,570
Metropolitan Human Services District	-	45,783	45,783
Substance abuse and mental health services	-	1,095,523	1,095,523
UNITY of Greater New Orleans	-	733,365	733,365
Medicaid programs	-	6,729,014	6,729,014
Law enforcement assisted diversion	-	197,595	197,595
Investment income	24,708	-	24,708
Rental income	88,967	-	88,967
Other	83,408	-	83,408
Net assets released from restrictions	11,977,754	(11,977,754)	-
Total revenues and other support	12,261,971	(8,525)	12,253,446
 EXPENSES:			
Program services:			
Residential/detox	5,548,458	-	5,548,458
Outpatient/medical	2,615,207	-	2,615,207
Community and supporting services	1,424,110	-	1,424,110
Prevention	421,398	-	421,398
Supporting services:			
Management and general	1,971,431	-	1,971,431
Fundraising	107,894	-	107,894
Total expenses	12,088,498	-	12,088,498
Change in net assets	173,473	(8,525)	164,948
Net Assets, Beginning of Year	6,700,843	14,602	6,715,445
Net Assets, End of Year	\$ 6,874,316	\$ 6,077	\$ 6,880,393

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, 2019

Expenses:	Program Services				Supporting Services		Total
	Residential/ Detox	Outpatient Medical	Community and Suppting Services	Prevention	Mngmnt and General	Fundraising	
Compensation	\$ 2,596,068	\$ 1,717,149	\$ 554,292	\$ 283,051	\$ 1,243,951	\$ 62,862	\$ 6,457,373
Occupancy	303,221	47,845	50,707	12,141	47,130	883	461,927
Equipment	13,601	4,274	6,630	-	279	-	24,784
Copying and printing	39,244	5,642	212	826	8,594	-	54,518
Insurance	153,157	31,326	41,663	3,443	41,378	-	270,967
Kitchen	701,622	496	254	-	336	-	702,708
Development	6,750	29,865	1,575	14,270	46,114	-	98,574
Shipping and postage	2,494	625	288	79	2,072	-	5,558
Repairs and maintenance	23,610	1,680	27,748	-	3,353	-	56,391
Supplies	211,264	97,422	5,652	36,454	38,577	24	389,393
Staff training and other	44,878	17,917	1,739	7,830	139,517	474	212,355
Staff travel	15,501	5,325	1,757	8,003	68,943	81	99,610
Client specific assistance	57,234	12,683	585,009	-	-	-	654,926
Vehicles	14,928	3,411	7,419	37	10,171	-	35,966
Contractual	1,123,816	526,247	41,479	54,919	291,016	1,306	2,038,783
Special events	-	-	-	-	-	40,122	40,122
Miscellaneous	7,557	5,497	146	345	21,253	2,142	36,940
Interest expense	77,966	8,877	-	-	4,073	-	90,916
Expense subtotal	<u>5,392,911</u>	<u>2,516,281</u>	<u>1,326,570</u>	<u>421,398</u>	<u>1,966,757</u>	<u>107,894</u>	<u>11,731,811</u>
Depreciation expense	<u>155,547</u>	<u>98,926</u>	<u>97,540</u>	<u>-</u>	<u>4,674</u>	<u>-</u>	<u>356,687</u>
Total expenses	<u>\$ 5,548,458</u>	<u>\$ 2,615,207</u>	<u>\$ 1,424,110</u>	<u>\$ 421,398</u>	<u>\$ 1,971,431</u>	<u>\$ 107,894</u>	<u>\$ 12,088,498</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 164,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	356,687
Realized and unrealized appreciation on investments, net	(339)
Changes in operating assets and liabilities:	
Receivables - government grants and programs	(488,957)
Prepaid expenses and deposits	(61,744)
Inventory	(22,561)
Accounts payable and accrued expenses	231,937
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>179,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Redemption of certificates of deposit	450,000
Investment in LLC	(342,782)
Purchases of property, buildings, and equipment	(994,426)
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(887,208)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on note payable	(188,632)
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(188,632)</u>
Net change in cash and cash equivalents	<u>(895,869)</u>
Cash and cash equivalents, beginning of year	<u>1,486,314</u>
Cash and cash equivalents, end of year	<u>\$ 590,445</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	<u>\$ 90,916</u>
Cash and cash equivalents per the statement of financial position	
Cash and cash equivalents	\$ 590,333
Restricted cash	112
	<u>\$ 590,445</u>

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

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019. 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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions 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:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions totaled \$6,077 at June 30, 2019.

Gain and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of 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, 2019

1. Summary of Significant Accounting Policies (continued)

Restricted and Unrestricted Revenues and Support

Contributions are received and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets with donor restrictions in the statement of activities and then reclassified to net assets without donor restrictions as the fees are earned. All grantor-restricted support is reported as an increase in net assets with donor restrictions 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, 2019, unrealized appreciation (depreciation) is included in the change in net assets in the accompanying statement of activities.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. Summary of Significant Accounting Policies (continued)

Investments (continued)

For the year ended June 30, 2019, realized gains, (losses) and investment income are accounted for as without donor restrictions or with donor restrictions 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, 2019, 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 or otherwise with an aggregate or individual cost that exceeds \$5,000. Costs incurred for repairs and maintenance are expensed as incurred. The Statement of Position includes \$758,844 reported in furniture, fixtures and equipment that was not placed in service as of June 30, 2019.

Functional Expenses

The cost 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. Accordingly, certain costs have been allocated among program services and supporting activities. Such allocations are determined by management on an equitable basis. Expenses are allocated based on a formula using direct compensation and revenue in each program.

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, 2019. 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, 2019

1. Summary of Significant Accounting Policies (continued)

In-kind Contributions (continued)

For the year ended June 30, 2019, the total amount of in-kind contributions reported in the statement of activities was estimated to be \$25,484.

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, 2019, the liability associated with compensated absences was \$124,143 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, 2019, the Organization was holding restricted cash of \$112. 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, 2017. Early application of the standard is permitted. The Organization has adopted the provisions of this standard as of July 1, 2018.

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, 2019.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3. Line of Credit

During the year the Organization had a \$500,000 line of credit with JP Morgan Chase Bank. This line of credit was cancelled in June 2019 and a new line of credit was opened on June 28, 2019 in the amount of \$1,500,000. The new line currently carries a variable interest rate of 5.99% per annum. The line is collateralized by all Organization accounts including grant receivables as well as equipment. At June 30, 2019, the line of credit had no outstanding balance.

4. Grant and Program Receivables

At June 30, 2019, the Organization had the following grants and program receivables:

HRSA	\$ 210,929
LEAD	38,892
Medicaid	955,205
Delta Dental	1,000
SAMSHA	174,219
State of Louisiana	435,205
UNITY	61,716
Other	<u>2,200</u>
Total	<u>\$1,879,366</u>

5. Investments

At June 30, 2019, investments consisted of two certificates of deposit, a mutual fund and an equity investment in a Louisiana LLC accounted for under the equity method. At June 30, 2019, the certificates of deposit have a cost and fair value of \$450,000, respectively.

At June 30, 2019, the mutual fund has a cost of \$6,077 and a fair value of \$13,720. 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, 2019, \$6,077 and \$7,643 of the mutual fund's balance is reported as with donor restrictions and without donor restrictions, respectively.

At June 30, 2019, the cumulative appreciation on the mutual fund was \$7,643. For the year ended June 30, 2019, investment returns consisted of \$14,481 of interest, \$214 of realized gains and \$125 of unrealized appreciation.

In August 2017, the Organization became a member of OHL Bohn Building LLC (OHL Bohn), a Louisiana LLC. The Organization is the sole member of OHL Bohn. Also, in August 2017 OHL Bohn became a partner in 2700 Bohn Motor, LLC, a Louisiana LLC. OHL Bohn has a 0.50% interest in 2700 Bohn Motor, LLC. 2700 Bohn Motor, LLC purpose is to acquire real property located at 2700 S Broad Street in New Orleans, LA and to obtain financing for its redevelopment. OHL Bohn's capital balance in 2700 Bohn Motor LLC as of June 30, 2019 of \$342,782, which is reported as Investments on the Statement of Financial Position.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

6. 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.

Certificates of deposit are valued at cost which approximates market and are classified within Level 2 of the fair value hierarchy. 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, 2019. 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.

7. 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, 2019

8. Note Payable

At June 30, 2019, the Organization had a promissory note (the “note”) outstanding with a financial institution with a balance of \$1,800,167. 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, 2019, interest expense on the note was \$85,115.

At June 30, 2019, the estimated maturities on the note for the next three years are \$199,104, \$208,251, and \$1,392,812, respectively. The note matures on March 9, 2022.

9. 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, 2019, contributions to the plan were \$110,816.

10. Date of Management’s Review

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 19, 2019 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 besides what is included in footnote 13 – Commitments.

11. Availability and Liquidity

The following represents the Organization’s financial assets as of June 30, 2019:

Financial assets at June 30, 2019:

Cash and cash equivalents	\$ 590,333
Grant and program receivables	1,879,366
Investments	<u>806,502</u>
Total financial assets	<u>3,276,221</u>

Less amounts not available to be used in one year:

Net assets with donor restrictions	6,077
Investment in LLC	342,782
Board designated funds for future use	<u>1,000,032</u>
	<u>1,348,891</u>

Financial assets available to meet general expenditures
 over the next twelve months

\$1,927,330

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

11. Availability and Liquidity (continued)

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2,932,953). As part of its liquidity plan, excess cash is invested in short-term investments including certificates of deposit. The Organization has a \$1,500,000 line of credit available to meet cash needs.

12. Commitments

In December of 2017 the Organization became a partner in OHL North Tonti, LLC, a Louisiana LLC (taxed as a partnership). OHL North Tonti, LLC has two members, the Organization at 99% and Edward Carlson, the Organization's CEO, at 1%. On December 28, 2017 the Organization signed a ground lease agreement with OHL North Tonti, LLC for property located at 1125 N Tonti, Street and 2426, 2432 and 2434 Governor Nichols St. The ground lease was for 99 years ending on December 27, 2116 with the monthly lease amount stated to be \$100.

As of June 30, 2019 the Organization was in the beginning phase of a multi-phase renovation of the buildings located at 1125 N Tonti Street and 2426, 2432 and 2434 Governor Nichols St. Management estimates the renovation project will take several years with an estimated cost of approximately \$10 million.

The Organization has been approved for funding of this project by the Louisiana Capital Outlay Program for \$5.9 million, of which on October 17, 2019 \$2,222,700 was immediately available. The remaining funds will be reviewed by the Louisiana Division of Administration and made available in subsequent years based on the state budget. In November 2018 the Federal Home Loan Bank of Dallas (FHLBD) approved a \$750,000 Affordable Housing Program (AHP) subsidy for the project. The subsidy from FHLBD expires on November 1, 2020.

Due to complex compliance requirements with the state of Louisiana Capital Outlay Program and FHLBD and because of the timing of construction the Organization opened two GAP loans with Gulf Coast Housing Partnership (GCHP). On October 29, 2019 the Organization opened a \$1 million loan at 6.5% interest annually and secured by all of the Organization's property. The loan's maturity is stated as of the date the Organization receives the Capital Outlay funds from the state of Louisiana or April 29, 2021 whichever is earlier – all principal and interest are due at maturity. The Organization paid a \$10,000 origination fee to secure the funds.

The second loan with GCHP was executed on December 1, 2019 in the amount of \$760,416 with a zero percent interest rate with a stated maturity of the earlier of December 2, 2049 or upon sale or refinancing of the property. This loan is also secured by all of the Organization's property. The Organization paid a \$10,000 origination fee to secure the funds and is required to pay an additional \$10,000 per year for four more years (maximum \$50,000).

During the fiscal year ended June 30, 2019 the Organization held a contract with Imperial Calcasieu Human Services Authority (ImCal) to operate a licensed Substance Abuse Rehabilitation Treatment Center in Lake Charles, LA. The license is provided by the Louisiana

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

12. Commitments (continued)

Department of Health and Human Services (DHH). Both the contract with ImCal and the license with DHH expired as of June 30, 2019. The contract with ImCal was renewed July 1, 2019 and expires June 30, 2022. The license with DHH is renewable annually and the current license renewed July 1, 2019 and will expire June 30, 2020. The new DHH license increased the capacity at the facility to 46 beds. The agreement provides that the Organization shall occupy the facility rent free, with ImCal responsible for major repairs and the Organization responsible for minor repairs, supplies and general upkeep.

On December 5, 2017 the Organization entered into a sublease agreement with GCHP for the space at 2700 S Broad Street. GCHP has a lease for the building with 2700 Bohn Motor LLC and is therefore subleasing to the Organization. The commencement date for the Organization's lease was September 1, 2019, the date the Organization first occupied the building. The term of the lease is for ten years from commencement date with the Organization holding a nine year option to renew. Monthly rental payments are \$52,181. Future minimum lease payments are as follows: for June 30, 2020 \$521,810; June 30, 2021 \$626,172; June 30, 2022 \$626,172; June 30, 2023 \$626,172; June 30, 2024 \$626,172; and thereafter \$3,235,222.

13. Net Assets

Net assets with donor restrictions in the amount of \$6,077 were for the Organization's substance abuse programs as of June 30, 2019.

Net assets without donor restrictions of \$6,874,316 consisted of \$1,000,032 of board designated funds for future use and \$5,874,284 undesignated as of June 30, 2019.

14. 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.

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, 2019

Agency Head Name: Ed Carlson

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 243,207
Benefits-health/dental/vision insurance	10,354
Benefits-retirement	11,988
Benefits-group life insurance	2
Benefits-long/short term disability insurance	1,316
Car allowance	7,800
Reimbursements	6,003
Total	\$ <u>280,670</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 Odyssey House Louisiana, Inc. (a nonprofit organization) (the “Organization”) which comprise the statement of financial position as of June 30, 2019, 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 19, 2019.

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 19, 2019



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, 2019. 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, 2019.

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 19, 2019

ODYSSEY HOUSE LOUISIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Grant Number</i>	<i>Federal Expenditures</i>
<u>U.S. Department of Housing and Urban Development</u>			
<i>Funds passed through Unity of Greater New Orleans, Inc.</i>			
Continuum of Care Program	14.267	LA0086L6H031609	\$ 32
Continuum of Care Program	14.267	LA0073I6H031306	778,506
<i>Total Department of Housing and Urban Development</i>			<u>778,538</u>
<u>U.S. Department of Health and Human Services</u>			
<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	1,046,009
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79SP080326-01	214,335
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SP021824-02	250,384
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79TI080020-02	541,072
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79TI026383-02	90,181
<i>Total Expenditures of Federal Awards</i>			\$ <u>2,920,519</u>

The accompanying notes are an integral part of this schedule.

ODYSSEY HOUSE LOUISIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

(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, 2019. 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, 2019.

(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, 2019.

(4) De Minimis Cost Rate

During the year ended June 30, 2019, 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, 2019

(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

Health Center Program (Community Health Centers,
 Migrant Health Centers, Health Care for the Homeless,
 and Public Housing Primary Care) 93.224

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.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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.