

O'BRIEN HOUSE
BATON ROUGE, LOUISIANA
DECEMBER 31, 2017

L.A. CHAMPAGNE  & Co.
LLP

Certified Public Accountants

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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, 2017 and 2016, 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.

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, 2017 and 2016, 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 30, 2018, 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.

R. A. Champagne + Co. L.L.P.

June 30, 2018
Baton Rouge, Louisiana

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 242,568	\$ 53,498
Receivables:		
Grants receivable	51,715	210,139
United Way allocation receivable	-	40,625
Program services receivable	8,939	8,469
	60,654	259,233
Prepaid expenses	52,564	53,764
	355,786	366,495
PROPERTY AND EQUIPMENT (NET)	1,536,514	1,484,169
OTHER ASSETS		
Receivable from affiliate	63,744	47,301
Donated vehicles held for sale	1,525	1,525
Loans receivable from affiliate	809,818	748,100
	875,087	796,926
Total assets	\$ 2,767,387	\$ 2,647,590

Continued

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Short-term loan obligations	\$ 45,114	\$ 102,869
Current portion of long term debt	31,979	29,967
Accounts payable	75,869	153,941
Payroll withholding payable	7,921	6,449
Accrued salaries	40,295	22,850
Accrued compensated absences	26,068	29,014
Client deposits	4,526	3,826
Total current liabilities	<u>231,772</u>	<u>348,916</u>
LONG-TERM LIABILITIES		
Long term debt, net of current maturities	<u>538,726</u>	<u>625,780</u>
NET ASSETS		
Unrestricted	1,751,616	1,395,114
Temporarily restricted	<u>245,273</u>	<u>277,780</u>
	<u>1,996,889</u>	<u>1,672,894</u>
Total liabilities and net assets	<u>\$ 2,767,387</u>	<u>\$ 2,647,590</u>

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Federal contracts and grants	\$ 397,580	\$ -	\$ 397,580	\$ 708,025	\$ -	\$ 708,025
United Way allocation	45,470	-	45,470	86,066	-	86,066
Grants	119,477	-	119,477	128,850	-	128,850
Contributions	49,786	-	49,786	43,246	-	43,246
Non cash contributions	409,994	-	409,994	296,078	-	296,078
Program services and rent	1,073,507	-	1,073,507	559,602	-	559,602
Special events	76,494	-	76,494	93,472	-	93,472
Interest income	61,718	-	61,718	57,015	-	57,015
Fee from affiliate	16,442	-	16,442	18,693	-	18,693
Other income	217,376	-	217,376	10,309	-	10,309
	<u>2,467,844</u>	<u>-</u>	<u>2,467,844</u>	<u>2,001,356</u>	<u>-</u>	<u>2,001,356</u>
Net assets released from restrictions:						
Satisfaction of time and purpose restrictions	32,507	(32,507)	-	33,807	(33,807)	-
	<u>2,500,351</u>	<u>(32,507)</u>	<u>2,467,844</u>	<u>2,035,163</u>	<u>(33,807)</u>	<u>2,001,356</u>
EXPENSES						
Program expenses	1,945,595	-	1,945,595	1,615,516	-	1,615,516
Management and general expenses	153,843	-	153,843	217,922	-	217,922
Fundraising expenses	44,411	-	44,411	43,112	-	43,112
	<u>2,143,849</u>	<u>-</u>	<u>2,143,849</u>	<u>1,876,550</u>	<u>-</u>	<u>1,876,550</u>
Increase (decrease) in net assets	356,502	(32,507)	323,995	158,613	(33,807)	124,806
Net assets - beginning of year	1,395,114	277,780	1,672,894	1,236,501	311,587	1,548,088
Net assets - end of year	<u>\$ 1,751,616</u>	<u>\$ 245,273</u>	<u>\$ 1,996,889</u>	<u>\$ 1,395,114</u>	<u>\$ 277,780</u>	<u>\$ 1,672,894</u>

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 323,995	\$ 124,806
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,185	52,452
Bad debt expense	104,606	29,481
Donation of land	(40,000)	-
Amortization of imputed interest on loans payable	32,507	33,807
Amortization of discount on loans receivable	(36,162)	(32,613)
Increase in accrued interest on loans receivable	(25,556)	(24,402)
Decrease (increase) in receivables	93,973	(133,091)
Increase in receivable from affiliate	(16,443)	(15,811)
Decrease (increase) in prepaid expense	1,200	(132)
Increase (decrease) in accounts payable	(78,072)	3,082
Increase in payroll withholding payable	1,472	2,614
Increase in accrued salaries	17,445	16,143
Increase (decrease) in accrued compensated absences	(2,946)	2,606
Net cash provided by operating activities	432,204	58,942
 CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment and furnishings acquired	(68,530)	(7,001)
Net cash used in investing activities	(68,530)	(7,001)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal advances on line-of-credit	-	60,291
Principal payments on line-of-credit	(40,684)	(57,226)
Principal advances on short-term debt	38,354	71,138
Principal payments on short-term debt	(55,426)	(53,496)
Principal payments on long-term debt	(117,548)	(26,635)
Increase in client deposits	700	400
Net cash used in financing activities	(174,604)	(5,528)
 NET INCREASE IN CASH	189,070	46,413
Cash and cash equivalents - beginning of year	53,498	7,085
Cash and cash equivalents - end of year	\$ 242,568	\$ 53,498

See accompanying notes to financial statements

O'BRIEN HOUSE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and contract labor	\$ 889,464	\$ 88,090	\$ 16,690	\$ 994,244	\$ 810,552	\$ 88,090	\$ 16,583	\$ 915,225
Payroll taxes	60,019	6,069	1,349	67,437	53,428	5,803	1,092	60,323
Employee benefits	35,412	3,581	796	39,789	68,630	7,454	1,403	77,487
Food and beverage	396,665	-	-	396,665	330,260	-	-	330,260
Occupancy	127,283	15,732	-	143,015	90,005	38,574	-	128,579
Insurance	58,913	7,281	-	66,194	40,816	17,493	-	58,309
Tax and licenses	1,342	166	-	1,508	544	233	-	777
Bad debts	104,606	-	-	104,606	29,481	-	-	29,481
Supplies	53,186	6,573	-	59,759	33,614	2,377	-	35,991
Interest	39,802	4,919	-	44,721	36,150	15,492	-	51,642
Information technology and website	9,947	1,229	-	11,176	10,515	4,506	-	15,021
Accounting and audit	28,227	3,489	-	31,716	19,490	8,352	-	27,842
Vehicle	6,206	767	-	6,973	5,468	607	-	6,075
Drug testing supplies	28,256	3,492	-	31,748	19,000	999	-	19,999
Special events	-	-	25,576	25,576	-	-	23,879	23,879
Equipment lease and maintenance	6,566	812	-	7,378	4,995	2,139	-	7,134
Client assistance	5,508	-	-	5,508	2,599	-	-	2,599
Telephone	1,343	166	-	1,509	1,333	571	-	1,904
Dues and memberships	6,141	759	-	6,900	2,341	1,003	-	3,344
Miscellaneous	-	-	-	-	147	-	-	147
Bank charges	93	12	-	105	81	34	-	115
Printing	-	-	-	-	-	-	155	155
Mileage	872	108	-	980	1,335	148	-	1,483
Pest control	7,060	873	-	7,933	4,420	1,894	-	6,314
Postage	274	34	-	308	-	591	-	591
Other expenses	28,407	3,511	-	31,918	13,596	5,826	-	19,422
Depreciation	50,005	6,180	-	56,185	36,716	15,736	-	52,452
Total expenses	\$ 1,945,595	\$ 153,843	\$ 44,411	\$ 2,143,849	\$ 1,615,516	\$ 217,922	\$ 43,112	\$ 1,876,550

See accompanying notes to financial statements

O'BRIEN HOUSE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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 guidance of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Under those standards the Organization is required to report information regarding its financial position and activities under three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are resources that are free of donor-imposed use or time restrictions and are available at the direction of the governing board. Temporarily restricted net assets are resources that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Permanently restricted net assets are those resources whose use by the Organization is limited to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization presently has no permanently restricted net assets.

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.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support.

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 temporarily restricted net assets to unrestricted net assets at that time.

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 and cash equivalents

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.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Management is aware of possible budget cuts and is making the necessary reductions in expenses and exploring additional funding sources.

Significant among those grants and contracts are the following, reflecting their percent of total revenues provided in 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Medicaid	36%	18%
Department of Health and Human Services	9%	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:

	<u>2017</u>	<u>2016</u>
Land	\$ 105,000	\$ 65,000
Buildings	1,831,207	1,804,808
Vehicles	50,268	50,268
Equipment	120,946	96,079
Furniture	<u>93,439</u>	<u>76,175</u>
	2,200,860	2,092,330
Less accumulated depreciation	<u>(664,346)</u>	<u>(608,161)</u>
	<u>\$ 1,536,514</u>	<u>\$ 1,484,169</u>

Depreciation expense for 2017 and 2016 was \$56,185 and \$52,452, respectively.

E: SHORT-TERM LOAN OBLIGATIONS

Short-term loan obligations at December 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
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	\$ 47,257
Note payable in the amount of \$50,000, unsecured, due on demand and payable in full June 23, 2017, bearing interest at the bank's index rate of 5.00%, principal and interest of \$2,195, payable monthly.	-	12,970
Non interest bearing loan, payable in monthly installments of \$4,261 (2017) and \$5,918 (2016), secured by unexpired insurance premiums.	<u>38,541</u>	<u>42,642</u>
	<u>\$ 45,114</u>	<u>\$ 102,869</u>

F: LONG-TERM DEBT

Long-term debt at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>		
	<u>Gross</u>		
	<u>Balance</u>	<u>Discount</u>	<u>Net</u>
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
	<u>\$ 815,978</u>	<u>\$ 245,273</u>	570,705
Less current portion			<u>31,979</u>
Long-term portion			<u>\$ 538,726</u>

F: LONG-TERM DEBT (Continued)

	2016		
	<u>Gross Balance</u>	<u>Discount</u>	<u>Net</u>
Mortgage loan at 0% (imputed interest rate of 6.75%) payable in monthly installments of \$792, commencing July, 2001.	\$ 42,750	\$ 5,971	\$ 36,779
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.	348,977	107,986	240,991
Home program loan at 0% (imputed interest rate of 6%) payable in monthly installments of \$2,004, commencing January, 2012.	402,939	131,052	271,887
CDBG loan at 0% (imputed interest rate of 6%) payable in quarterly installments of \$2,500, commencing January, 2019.	100,000	32,771	67,229
Capital One term loan at 7.5% interest payable in 60 monthly installments of \$890, commencing April 2016.	38,861	-	38,861
	<u>\$ 933,527</u>	<u>\$ 277,780</u>	655,747
Less current portion			<u>29,967</u>
Long-term portion			<u>\$ 625,780</u>

F: LONG-TERM DEBT (Continued)

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

2018	\$ 31,979
2019	45,045
2020	47,207
2021	38,511
2022	31,759
Thereafter	<u>376,204</u>
	\$ <u>570,705</u>

Interest expense on all loan obligations for the year ended December 31, 2017 and 2016 was \$44,721 and \$51,642, 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 \$30,807 and \$36,779, for 2017 and 2016, 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 temporarily restricted contribution in 2010.

G: LEASE COMMITMENTS

The Organization leases certain office equipment under agreements classified as operating leases. The leases require total monthly payments of \$150. Rent expense for 2017 and 2016 was \$2,738 and \$2,282, respectively.

The future minimum lease payments are as follows:

Years Ending December 31,	
2018	\$ 1,050

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

H: 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, 2017 and 2016 are as follows:

	<u>Loan A</u>	<u>Loan B</u>	<u>Total</u>
Loan amount	\$ 400,000	\$ 500,000	\$ 900,000
Amortized discount	(92,414)	(163,621)	(256,035)
Accrued interest	183,425	-	183,425
Payments applied	<u>(17,572)</u>	<u>-</u>	<u>(17,572)</u>
Present Value - December 31, 2017	<u>\$ 473,439</u>	<u>\$ 336,379</u>	<u>\$ 809,818</u>

Loan amount	\$ 400,000	\$ 500,000	\$ 900,000
Amortized discount	(102,940)	(189,257)	(292,197)
Accrued interest	157,869	-	157,869
Payments applied	<u>(17,572)</u>	<u>-</u>	<u>(17,572)</u>
Present Value - December 31, 2016	<u>\$ 437,357</u>	<u>\$ 310,743</u>	<u>\$ 748,100</u>

Discount amortized in 2017 and 2016 amounts to \$61,718 and \$57,015, 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, 2017 and 2016, the fee amounted to \$8,078 and \$7,843 respectively. At December 31, 2017 and 2016, O'Brien House Management, Inc. was owed a total of \$63,744 and \$47,301, respectively, in accumulated management fees and utility reimbursements.

I: RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016, consist of the unamortized portion of imputed interest on below market rate loans in the amount of \$245,273 and \$277,780, respectively. This imputed interest was previously recorded as temporarily restricted contributions. Amounts are released from restriction as the imputed interest is expensed over the terms of the loans.

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

	<u>2017</u>	<u>2016</u>
Purpose restriction accomplished:		
Imputed interest	\$ 32,507	\$ 33,807
Total restrictions released	<u>\$ 32,507</u>	<u>\$ 33,807</u>

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.

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:

K: FAIR VALUE MEASUREMENTS (Continued)

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.

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.

K: FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017 and 2016, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2017</u>				
Below market rate				
loans receivable	\$ 809,818	\$ -	\$ -	\$ 809,818
<u>December 31, 2016</u>				
Below market rate				
loans receivable	\$ 748,100	\$ -	\$ -	\$ 748,100
<u>December 31, 2017</u>				
Below market rate				
loans payable	\$ 539,893	\$ -	\$ -	\$ 539,893
<u>December 31, 2016</u>				
Below market rate				
loans payable	\$ 616,886	\$ -	\$ -	\$ 616,886

K: FAIR VALUE MEASUREMENTS (Continued)

The table below presents the changes in fair value for the year ended December 31, 2017 and 2016, in Level 3 instruments that are measured at fair value on a recurring basis.

	Loans <u>Receivable</u>	Loans <u>Payable</u>
Balance at December 31, 2015	\$ 691,085	\$ 604,364
Principal reductions	-	(21,285)
Amortized interest	-	33,807
Accrued interest	24,402	-
Amortized discount	<u>32,613</u>	<u>-</u>
Balance at December 31, 2016	\$ 748,100	\$ 616,886
Principal reductions	-	(109,500)
Amortized interest	-	32,507
Accrued interest	25,556	-
Amortized discount	<u>36,162</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 809,818</u>	<u>\$ 539,893</u>

L: FEDERALLY ASSISTED PROGRAMS

Federal and State assistance programs represent an important source of funding for O'Brien House. These programs are audited in accordance with the "Single Audit Act." Other programmatic audits may be conducted by grantor agencies. Prior audits have not resulted in any significant disallowed cost. However, grantor agencies may conduct or require additional examinations which could result in the cancellation of grants or contracts, the disallowance of costs charged to the grant or require the repayment of any questioned costs identified and such repayments may be material to the financial statements.

M: NON CASH CONTRIBUTIONS

During the years ended December 31, 2017 and 2016, 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.

	2017	2016
Food	\$ 343,384	\$ 283,402
Land	40,000	-
Household items	<u>26,610</u>	<u>12,676</u>
Total in kind contributions	<u>\$ 409,994</u>	<u>\$ 296,078</u>

N: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities in 2017 and 2016.

O: DEEPWATER HORIZON SETTLEMENT

The Organization received a settlement 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.

P: SUBSEQUENT EVENTS

Subsequent events were evaluated through June 30, 2018, 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, 2017

Agency Head Name:

Todd Hamilton
Executive Director

Purpose	Amount
Salary	\$ 72,385
Reimbursements of goods/services purchased directly for program use	597

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

Alvin J. Callais, CPA

Jonathan Clark, CPA

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Companies Practice
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**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, 2017, 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 30, 2018.

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. L.L.P.

Baton Rouge, Louisiana
June 30, 2018

O'BRIEN HOUSE
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

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, 2017

None noted

Robert L. Stamey, CPA
Kimberly G. Sanders, CPA, MBA
Neal Fortenberry, CPA
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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, 2017 through December 31, 2017. 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 except for items 2 and 5.
 - 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 except for item 1.

- 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 except for items 1, 2, and 3.

- 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 except for items 1, 3, 4, and 5.

- 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 not 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.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the full board met January, March, June, July, September, and November during the fiscal year.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

The minutes included financial activity related to public funds.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

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

Bank Reconciliations

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

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

Management provided a listing of bank accounts. Randomly selected one month and obtained the bank statement and reconciliation and noted that there is evidence that the reconciliations were prepared within two months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Management provided a listing of bank accounts. Randomly selected one month and obtained the bank statement and reconciliation and noted that a board member reviewed each bank reconciliation.

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

Management provided a listing of bank accounts. Randomly selected one month and obtained the bank statement and reconciliation and noted several reconciling items outstanding for more than 12 months that have been researched but not cleared from the reconciliations. All reconciling items noted were cleared from the reconciliation as of yearend.

Collections

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

Management provided a listing of deposit sites and representation that the listing is complete.

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

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Management provided a listing of collection locations and representation that the listing is complete. Randomly selected one collection location, noting that employees responsible for cash collections do not share a cash register.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Management provided a listing of collection locations and representation that the listing is complete. Randomly selected one collection location, noting that employees responsible for collecting cash are not responsible for preparing bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Management provided a listing of collection locations and representation that the listing is complete. Randomly selected one collection location, noting that employees responsible for collecting cash are not responsible for posting collections to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Management provided a listing of collection locations and representation that the listing is complete. Randomly selected one collection location, noting that employees responsible for reconciling cash collections to the general ledger are not responsible for collecting cash.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Employees who have access to cash are covered by an insurance policy for theft.

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

- a) Observe that receipts are sequentially pre-numbered.

Obtained supporting documentation for selected deposits and noted that deposits were electronic transfers and ACH transactions.

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

Obtained supporting documentation for selected deposits and traced documentation to the deposit slips.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Obtained supporting documentation for selected deposits and traced documentation to the bank statement.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Obtained supporting documentation for selected deposits and noted that deposits were made within one business day of receipt.

- e) Trace the actual deposit per the bank statement to the general ledger.

Obtained supporting documentation for selected deposits and traced documentation to the general ledger.

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 no procedure in place for another employee to periodically review changes to vendor files. Management has hired an independent CPA firm to help

with monthly accounting and yearend closeout. The independent CPA firm reviews all new vendors during their monthly review process.

- 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 one credit card was assessed finance charges.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe 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 one credit card transaction was not supported by an original itemized receipt.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Management provided a list of all travel and related expense reimbursements and representation that the listing is complete. Randomly selected 5 reimbursements and supporting documentation and noted that reimbursements tested were for mileage reimbursement.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Management provided a list of all travel and related expense reimbursements and representation that the listing is complete. Randomly selected 5 reimbursements and

supporting documentation and noted that reimbursements tested were for mileage reimbursement.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Management provided a list of all travel and related expense reimbursements and representation that the listing is complete. Randomly selected 5 reimbursements and supporting documentation and noted that reimbursements tested were for business mileage reimbursement.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Management provided a list of all travel and related expense reimbursements and representation that the listing is complete. Randomly selected 5 reimbursements and supporting documentation and noted that each reimbursement was reviewed and approved by someone other than the person receiving reimbursement.

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

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

Management provided an active vendor list and representation that the listing was complete. Randomly selected 5 vendors and noted that the entity is a non-profit and the Louisiana Public Bid Law is not applicable.

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

Management provided an active vendor list and representation that the listing was complete. Randomly selected 5 vendors and noted that the entity is not required by policy or law to have a contract approved by the governing board.

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

Management provided an active vendor list and representation that the listing was complete. Randomly selected 5 vendors and noted that there were no amendments to the contracts.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Randomly selected one payment for each of the 5 vendors and obtained supporting documentation and noted that the invoice and related payment agreed to the terms of the contract.

Payroll and Personnel

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

Management provided a listing of employees during the fiscal period and representation that the listing is complete. Randomly selected five employees and obtained documentation from management of approved salaries and noted that actual paid salaries agreed with approved salaries.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Randomly selected one pay period for the 5 employees selected under step 16 and noted that employees documented their daily attendance and leave.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Randomly selected one pay period for the 5 employees selected under step 16 and noted that all attendance and leave was approved.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Randomly selected one pay period for the 5 employees selected under step 16 and noted that leave accrued or taken during the pay period is reflected in the leave records.

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

Management provided a listing of employees that received termination payments during the fiscal period and representation that the list is complete. Randomly selected two employees and obtained supporting documentation and agreed the hours to the leave records and pay rates to the employees' authorized pay rates in the personnel files.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management provided representation that employer and employee portions of payroll taxes, health insurance premiums, and workers' compensation premiums have been paid and associated forms have been filed by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

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

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

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

Debt Service

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

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

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

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

Other

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

Management has asserted that the entity did not have any misappropriations of public funds or assets during the reporting period.

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

Required notices are posted on the entity's premises and website.

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., L.L.P.



Baton Rouge, LA

June 30, 2018